Brave deeds
Reclaiming the past in eastern Europe
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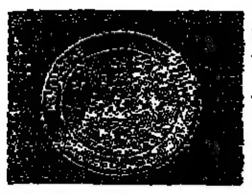

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But are US banks any better?

FINANCIAL TIMES

TUESDAY AUGUST 10 1993 D8523A

Rhône-Poulenc threatens to keep drugs out of UK

Franco-American pharmaceuticals group RhônePoulenc Rorer said it might not launch certain drugs in the UK in future after it was forced to cut the UK price of one variety – a sleeping pill called Zimovane – to avoid its being put on a National Health Service blacklist. The UK government is today expected to cut the prices it pays for drugs by 2½ per cent across the board. Price cuts have been introduced in Italy and Germany and the US is preparing reforms. Page 14

UK economy continues recovery: Strong consumer credit growth and a smaller than expected rise in the prices of manufactured goods added to optimism that the UK recovery is gathering pace. Page 14; Lex, Page 14; London stocks, Page 23

Bosnia decision deferred: Nato deferred a decision on carrying out air strikes in Bosnia, but a meeting of alliance ambassadors in Brussels reached broad agreement on the military logistics for such attacks. Page 14; Serbs inject fresh doubts, Page 2

Volkswagen, Europe's leading volume car maker, is recovering from first-half losses of DM1.6bn ($930m) and will be in profit next year, finance director Werner Schmidt said. Page 15

Israel rules out direct PLO talks: Israel ruled out direct talks with the Tunis-based Palestine Liberation Organisation and said it would continue to negotiate with a Palestinian peace delegation from the occupied territories. Page 3

GKN, UK engineering group, is to supply more than 200 Warrior armoured fighting vehicles to Kuwait and hopes to sell it a further 100 Piranha light armoured vehicles. The value of the two contracts would exceed £500m ($745m). Page 6; Lex, Page 14

US diplomat killed: A US diplomat was shot dead in Georgia, the first western official to die in the former Soviet Union's political turmoil. Page 2

Rights issue for HK tunnel: Hong Kong's Cross Harbour Tunnel Company plans to raise HK$830m (US$107m) from a rights issue to fund construction of the Western Harbour tunnel, which received China's approval in June. Page 16

Lucas Industries, UK engineering group which is refocusing on its core activities, sold its aerospace engineering and heating systems business to a management-led buy-out team for £9m ($13.4m). Page 19

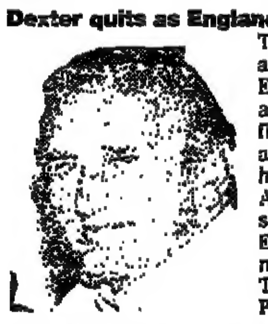
Banque Nationale de Paris, largest of France's state-controlled banks, took a step towards its privatisation this autumn by announcing a two-for-one scrip issue to make its shares more marketable. Page 15

Investment plan for eastern Germany: The way has been cleared for an investment programme totalling DM46bn ($26.7bn) to upgrade eastern Germany's energy sector and privatise the region's utilities. Page 2

Sara Lee, Chicago-based food and consumer products company, reported an 11.8 per cent increase in fourth-quarter profits to $190m after tax. Sales rose 13.3 per cent to $3.85bn. Page 16

RTZ Corporation, the world's biggest mining company, said it would cut its stake in the Lihir Island gold project in Papua New Guinea – the largest known gold deposit outside South Africa – from 80 per cent to 20 per cent. Page 15; Lex, Page 14

Dexter quits as England cricket selector



Ted Dexter (left) resigned as chairman of the England cricket selectors as England lost the fifth Test to Australia at Edgbaston, Birmingham, by eight wickets. Australia lead the six-match series 4-0. England have lost nine of their last 10 Tests. Page 6; Observer, Page 13

Constantine returns to Greece: King Constantine of Greece returned to his homeland as a private citizen after 26 years in exile. He fled the Colonels' coup of 1967 and the monarchy was abolished in 1974. Observer, Page 13

Motorists warned: Britain's Automobile Association urged motorists in France to stay on main roads and avoid driving at night following attacks in which drivers and passengers have been robbed at gunpoint.

■ STOCK MARKET INDICES

FT-SE 100:	2986.4	(+16.6)
Yield	3.83	
FT-SE Eurotrack 100	1269.95	(-2.39)
FT-A All-Share	1480.86	(+0.5%)
Nikkei	20,493.05	(+135.11)
New York lunchtime		
Dow Jones Ind Ave	3582.79	(+22.36)
S&P Composite	451.37	(+2.69)

■ US LUNCHTIME RATES

Federal Funds:	3%	
3-mo Treas Bills: Yld	3.074%	
Long Bond	108 1/32	
Yield	6.471%	

■ LONDON MONEY

3-mo Interbank	5 15/16%	(same)
Liffe long gilt future:	Sep 111 1/32	(same)

■ NORTH SEA OIL (Argus)

Brent 15-day (Sept)	$16.62	(16.46)

■ Gold

New York Comex (Aug)	$383.3	(376.5)
London	$382.25	(376.5)

■ STERLING

New York lunchtime:		
$	1.4905	
London:		
$	1.4935	(1.498)
DM	2.535	(2.5425)
FFr	8.89	(8.8875)
SFr	2.245	(2.2475)
Y	158.5	(same)
£ Index	81.3	(81.2)

■ DOLLAR

New York lunchtime:		
DM	1.70005	
FFr	5.984	
SFr	1.50485	
Y	104.905	
London:		
DM	1.697	(1.6975)
FFr	5.9525	(5.9325)
SFr	1.503	(1.5005)
Y	104.85	(104.5)
$ Index	65.8	(65.7)

Tokyo close Y 104.58

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11		
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10		
Belgium	BFr65	Hungary	Ft172	Neth	Fl 3.75	Slovak Rp	SL45		
Bulgaria	Lw25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220		
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00		
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210		
Czech Rp	Kcs45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15		
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20		
Egypt	E£4.50	Kuwait	Fils600	Poland	Zl 22,000	Syria	S£50.00		
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250		
France	FFr9.00	Lux	LFr65	Qatar	QR12.00	Turkey	L9000		
						UAE	Dh11.00		

Kohl says monetary union may be delayed but remains the goal

Economic criteria must be maintained, German leader insists

By Quentin Peel in Bonn

MR Helmut Kohl, the German chancellor, admitted last night that strict insistence on economic convergence between EC member states could delay the creation of a single European currency "by a year or two," but he said the ultimate objective would be unaffected.

The timetable of European economic and monetary union would be discussed at the special EC summit planned for October, he said in an interview on SAT-1, a German television station.

He said a decision on the location of the future European monetary institute – the forerunner of the planned European central bank – would also definitely be taken at that summit, which is intended to mark the final ratification of the Maastricht treaty.

Mr Kohl staunchly defended the behaviour of the Bundesbank and the German government during the recent European currency crisis, saying that Germany had yet again proved its firm commitment to European co-operation.

"The Bundesbank fulfilled its obligations fully and without any hesitation, fully supported by the German government," he said in the television interview. "The close and good co-operation between Bundesbank and government proved its worth, especially in recent days."

The decision to relax the margins of currency fluctuation within the exchange rate mechanism of the European Monetary System was "not a decision against Maastricht", he insisted.

But he agreed that the timetable of economic and monetary union would have to be discussed by the EC heads of government at their special summit planned for October.

In a firm restatement of his commitment to European integration, Mr Kohl repeated Germany's insistence that the strict economic convergence criteria – including limits on the government indebtedness, budget deficits, and inflation – must be maintained.

"We must on no account ease the very strict conditions for national economies", he said. "If this has the consequence ... that the timetable now envisaged is delayed by a year or two, then I would simply ask: how does that change the basic course?"

The decisive thing, he said, was that a united Europe would be built in the current decade, something which had been unimaginable for the previous 90 years of the century: a Europe in which individual peoples, like the Germans and French, would still maintain their national identity, but under a single "European roof".

Mr Kohl said the recent upheavals in the EMS were "nothing new". The problem was that they were compounded by the international recession, which was actually a structural crisis in the world economy. EC member states had also failed to control their budget deficits.

He expressed surprise that the French government had proposed the temporary withdrawal of the D-Mark from the ERM in the course of the negotiations. He said he told the French that other EC member states would object, "and that is what happened." There was no German "plot" against France.

Mr Kohl repeated that Germany was the obvious choice for the site of the EMI, in spite of the "reluctance" of one or more member states – a clear reference to British opposition. He was "quite optimistic" that the German battle to have the institute in Frankfurt would win in the end, although "everyone will fight for his opinion up to the last minute."

"It is really obvious that the seat of the European central bank should be in Germany. All my colleagues understand this, although there is some resistance – but where else should it go?" he said.

He argued that Germany did not host any other significant EC institutions, and the D-Mark was the leading European currency. "That is nothing to be ashamed of," he added.

Hard Ecu plan, Page 2
Editorial comment, Page 13
UK economy; Lex, Page 14

Paris cuts cost of overnight borrowing

By John Ridding in Paris

THE Bank of France cut overnight interest rates slightly yesterday. However, it underlined its cautious approach to lowering borrowing costs despite the increased room for manoeuvre resulting from the effective flotation of the franc.

The bank cut the interest rate for 24-hour funds from 10 per cent to 9.75. The 5-10 day borrowing rate, suspended at the end of July and reintroduced last week, was unchanged at 10 per cent.

The franc weakened following the announcement, slipping below FFr3.50 to the D-Mark. It is now more than seven centimes below its previous European exchange rate mechanism floor of FFr3.4305. The French currency's fluctuation bands within the ERM were widened from 2.25 per cent to 15 per cent at the beginning of the month following sustained speculative attacks.

"It is a step towards lower rates," said Mr Christopher Potts, economist at Banque Indosuez in Paris, referring to yesterday's move. "But it shows that the French government is keeping a close eye on the foreign exchange markets."

The importance of exchange rate considerations in French monetary policy reflects the fact that Mr Edouard Balladur, prime minister, has staked his credibility on a strong franc. It also reflects the central bank's desire to rebuild reserves severely depleted in its unsuccessful attempt to defend the franc on the foreign exchange markets.

The need for continued adherence to a strong franc policy was expressed yesterday in an open letter to Le Monde newspaper. Signed by Jean-Claude Le Franc, described as a pseudonym for a group of senior French civil servants, the letter lamented the "dislocation of the EMS" and said France's rightwing political parties must not loosen monetary policy or let the franc fall.

The letter, which praised the late prime minister, Mr Pierre Bérégevoy who defended the franc against two assaults, appeared critical of Mr Balladur

Continued on Page 14
Hard Ecu plan fails to charm, Page 2; Lex, Page 14

Hosokawa cabinet has LDP leanings

By Robert Thomson in Tokyo

JAPAN'S new prime minister, Mr Morihiro Hosokawa, the head of a seven party-coalition, yesterday unveiled a conservative cabinet which promised to maintain foreign and economic policies generally in line with those of the outgoing Liberal Democratic party.

Mr Hosokawa insisted his 20-person cabinet reflected a "new era" in politics, citing the appointment of three women, one more than the previous record, two people without party political affiliations, and representatives from a range of parties, including the Social Democratic party, formerly the Japan Socialist party.

"We should continue what should be continued and renew what should be renewed," Mr Hosokawa said. "We have promised to reform Japanese politics, and we want to fulfil the people's expectations for change."

However, the influence of LDP defectors, who took the leading posts of finance, trade and industry, agriculture, defence and foreign affairs, prompted Japanese newspapers to dub the selection the "Ozawa cabinet" in honour of Mr Ichiro Ozawa, the former LDP powerbroker, now pulling strings at the coalition.

Tokyo stock prices rose after the announcement of the cabinet, which allayed fears that the new government would confront the the powerful bureaucracy over economic policy. The new finance minister, Mr Hirohisa Fujii, is a former finance ministry official.

Mr Fujii, 61, who has worked for the ministry's budget bureau, said the government would consider new stimulatory measures for a still slowing economy, but would not embark on a spending spree. "We have no intention of using deficit-covering bonds to increase spending," he said.

The new opposition leader, Mr Yohei Kono, the LDP president, complained that he could see little difference between the new government's policies and those of the LDP, which had ruled for 38 years until last week.

"I noticed that some of the new ministers appeared to be reading from notes prepared by bureaucrats. I think the public would have preferred them to do some things differently," he said.

The cabinet, at an average age of 59.4 years, is slightly younger than that of the last LDP government. Mr Tsutomu Hata, 57, who is deputy prime minister and

Continued on Page 14
Ailing economy poised to trigger spending package, Page 3
The lone elder statesman, Page 3

Suited for high office: New Japanese prime minister Morihiro Hosokawa (centre) unveils a cabinet which contains a number of LDP defectors Associated Press

Unisys president quits in shake-up to boost two divisions

By Richard Waters in New York

UNISYS, the US-based mainframe computer company which broke back into profit last year, yesterday announced an organisational shake-up designed to give more autonomy to its two fastest-growing business units.

The reorganisation resulted in the resignation yesterday of Mr Reto Braun, president and chief operating officer. Mr James Unruh, chairman, said: "The intention was to flatten the corporate structure. We eliminated the need for a chief operating officer function."

The two businesses being given greater operational freedom cover consulting services and provision of open systems. Together they accounted for 29 per cent of the company's $8.4bn sales in 1992.

"We are trying to achieve the advantages specialised companies have, without losing the advantages of economy of scale and the breadth of market of large companies," Mr Unruh said. The move was not a prelude to the eventual hiving off the two units, he added, but: "Ten years from now, the company will no doubt look very different."

The two units will have full control over their businesses and will have their own dedicated sales forces around the world.

Unisys also said its business was being regrouped into three broad divisions. These cover government systems, combining the former government and defence systems groups; information services and systems, which includes the three sales groups around the world and four product groups aimed at different industry sectors; and computer systems, which would continue to act as the mainframe manufacturing arm.

Following the departure of Mr Braun, Mr Unruh said he was taking day-to-day control of the information group, the largest of the three.

Unisys, created by the merger of the Burroughs and Sperry mainframe computer businesses in 1986, suffered heavy losses from 1988-91. Cost-cutting had taken "at least $1bn" out of the company's cost base since then, Mr Unruh said. He called yesterday's changes the second phase of Unisys's rehabilitation, designed to build income.

● Moore Corporation, a Toronto-based business form group, said that Mr Braun would join as chief executive on September 1.

Microsoft's mixed signals, Page 7

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هكذا من الاصل

Serbs inject fresh doubts into Nato

Gillian Tett on the veneer of agreement over air strikes in Bosnia

NATO OFFICIALS were yesterday engaged in a feverish round of behind-the-scenes negotiations as ambassadors for the 16 alliance members met in Brussels to discuss the logistics of air strikes against Serbs in Bosnia.

But with the situation in Sarajevo confused following the partial withdrawal of Serb forces from Mount Bjelasnica, one of the strategic heights around the city, the Canadian, British and French delegations reiterated concern that air strikes could endanger troops on the ground.

Another complicating factor emerged when it was revealed French troops had been deployed on Mt Igman, parts of which are still occupied by Serb forces.

After a week of anxious diplomatic discussions, Nato officials yesterday said the alliance had broad agreement on the military structure for the threatened air strikes.

This is expected to place operations under the control of the UN, with authorisation coming from Mr Boutros Boutros Ghali, UN secretary-general.

The outline agreement represents an American concession to European concerns; Washington had earlier demanded that Nato be able to initiate air strikes.

Mr Jacques Blot, French ambassador to Nato, said yesterday that any action had to be in accordance with the UN resolutions and "that the first air strike must be authorised by the secretary-general".

Nevertheless, it emerged last night that another Nato meeting and further talks with the UN would probably be required before any strikes could be authorised.

Officials admit that divisions remain between Europe the US about when strikes might be needed.

"Everyone says that air strikes should be used as a last resort. The problem lies in agreeing the last resort," said one Nato official.

Another official added: "What the US wants now is not entirely clear to us. There have been different signals from Washington recently. But we will not go ahead with anything that endangers our troops."

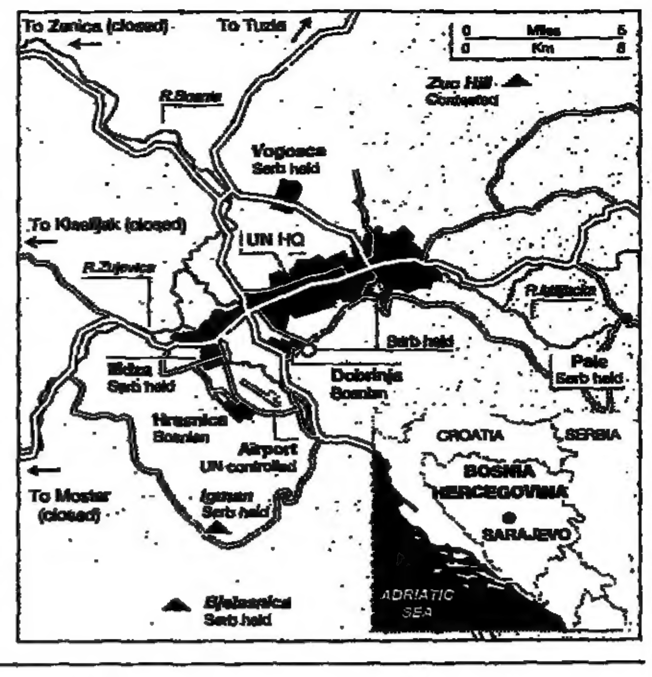
With French troops forming the bulk of the UN force in Sarajevo, the French delegation in Brussels stressed it would only agree to air strikes if they had the full support of UN commanders on the ground.

"We are not making war in Bosnia.

"This must be a clear signal for the Moslems. We are there for the humanitarian process," Mr Blot stressed.

Quentin Peel adds from Bonn: In a statement which suggested more German caution about western military intervention than has been apparent in recent government pronouncements, Chancellor Helmut Kohl last night warned that any air strikes must take into account consequences for the civilian population.

He said any attempt to end the fighting in former Yugoslavia with military means would unleash a war with catastrophic consequences. Mr Kohl gave his support, however, to President Bill Clinton's proposal for limited air strikes against specific military targets – provided they were backed by a decision of the UN Security Council.



NEWS IN BRIEF

US envoy shot in Georgia turmoil

A US DIPLOMAT has been shot dead in the strife-torn republic of Georgia, the first western official to die in the political turmoil in the former Soviet Union, writes *Leyla Boulton* in Moscow.

Mr Fred Woodruff, a regional affairs officer, was hit in the forehead by a bullet as he was being driven by the security chief of the Georgian leader, Mr Eduard Shevardnadze. The attack took place 7km outside Tbilisi as they were returning from what Itar-Tass news agency described as a sightseeing trip.

"It must have been the work of professionals," one western diplomat said.

Mr Shevardnadze, who has himself escaped unhurt from similar attacks, cited the killing as yet another argument for the emergency powers he has been seeking since parliament, which he heads, forced out the government last week.

Fresh moves on Ferruzzi

The new executives running Italy's heavily indebted Ferruzzi group may be planning fresh legal steps against their predecessors and members of the controlling Ferruzzi family, writes Haig Simonian in Milan.

The prospect of further action follows a stream of allegations in leaked documents which indicate former executives of Ferruzzi Finanziaria (Ferfin) and its big Montedison industrial offshoot operated an illicit system of parallel funding, based on bank loans to obscure Montedison subsidiaries. The money raised was allegedly used for various means, including covering up commodity trading losses and meeting the personal needs of Ferruzzi family members.

Ferfin's new board is meeting today to re-examine its financial position. Tomorrow Montedison's board will meet to consider further legal steps. Earlier this month the company won court approval to freeze up to L500bn (£209m) in assets from former executives.

Italian mamas turn new leaf

The Italian "mama" – once a byword for big, bouncy, babies – has turned a new leaf, according to new population projections from the United Nations, writes Haig Simonian.

The average fertility rate of Italian women is expected to drop to 1.3 per head in the period 1990-1995, according to the UN's World Population Report. That puts Italy ahead of the rest of the world in terms of declining family sizes. Even mothers in other industrialised European countries, such as Germany, where childbirth has been steadily falling, are still having more babies than the Italians.

Dutch bargemen back at work

Striking Dutch bargemen returned to work yesterday after a six-week stoppage, but said they may resume their actions in three months if a dispute over cargo allocation is not settled, writes Ronald van de Krol in Amsterdam.

The independent barge owner-operators have been blocking some river traffic and refusing to take cargoes since June to press their demands that "tourderole", a traditional cargo allocation system for shipments from the Netherlands to Belgium, be written into Dutch law.

Delors hopes for a Franco-German initiative

Commission determined to hold line on Emu strategy

By Lionel Barber in Brussels

THE European Commission remains adamant. Despite siren calls from London and other Euro-sceptical quarters, EC officials insist there will no fundamental shift in strategy in response to the de facto suspension of the exchange rate mechanism.

Mr Jacques Delors made clear during last Friday's special meeting of the European Commission that the EC must "tough out" the latest crisis – mainly by using the tools offered by the Maastricht treaty for reinforcing economic and monetary co-operation within the Community.

The Commission president is also reported to be pinning some hope on a Franco-German political initiative before the EC summit in Brussels in December. This would serve to show the rest of the Community that the Franco-German alliance remains in good working order, but it would also demonstrate that European monetary union remains on track.

Recent comment in the British and US press about a permanent rift between the French and Germans in the run-up to the ERM crisis is dismissed inside the Commission as "wishful thinking". The official view is that Franco-German differences were not so serious as to overwhelm the European monetary system. "The structures remain, even if [some of] the rules have changed," said one official.

Mr Delors recognises, however, that the ERM crisis has created a vacuum in monetary co-operation. This explains the importance which he attaches to two separate reports which the Commission will publish before next January 1, starting-point for Emu's second stage.

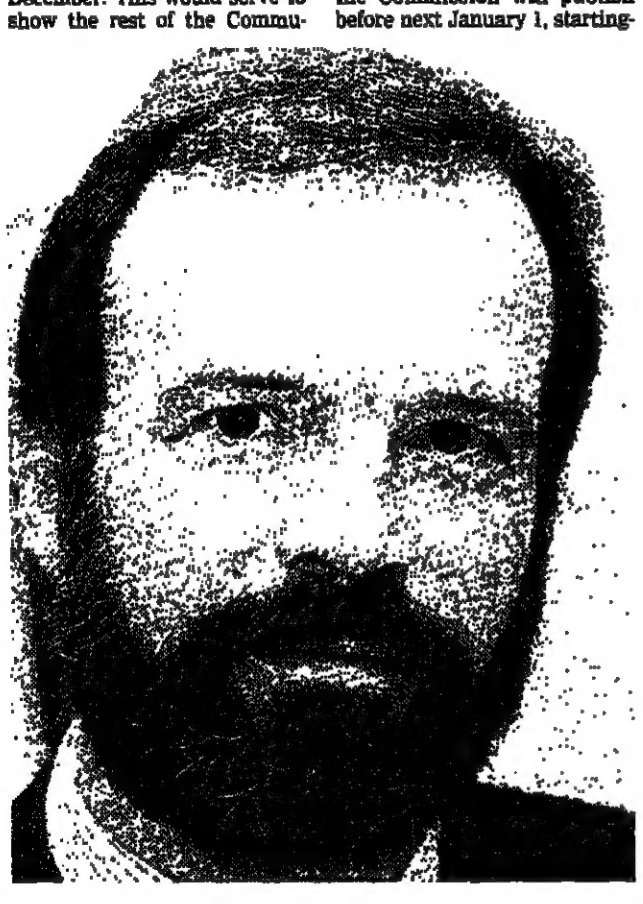
The first report will focus on the progress which the 12 member states have made on economic and monetary convergence; the second will set out the main political and economic guidelines for the Community, to be adopted by a qualified majority vote of the Twelve.

According to EC monetary officials, both these reports should be used to define the EC's future route to Emu as set out in Maastricht. The British proposal to revive the "hard Ecu" is likely to get short shrift in Brussels.

One option to convince the financial markets that the Community is serious about monetary union would be to narrow the ERM's newly widened fluctuation bands. These were fixed at 15 per cent nine days ago to halt speculation against the franc and weaker ERM currencies; but EC officials note with satisfaction that Belgium, Luxembourg and Denmark are all seeking to return to their "narrow bands" rather than rushing towards lower interest rates.

Another favoured option is to strike a deal on the location of the European Monetary Institute, the precursor of the European central bank, which would supervise a putative single EC currency. Such a bargain would also include a "big name" to run the EMI, most likely a current EC central bank governor, but possibly an outsider.

The policy is characteristic of Mr Delors, a man who believes that a little pain is often necessary for true salvation. It is also reminiscent of a certain former British prime minister who declared, with similar conviction, that "there is no alternative".



Alan Harper

Deutsche Bank's Walter: M3 "devalued"

Bundesbank told it should drop reliance on M3

By Andrew Fisher in Frankfurt

THE BUNDESBANK has been criticised by the chief economist of Germany's largest commercial bank for relying on "unsuitable indicators" in the pursuit of its monetary policies.

Speaking a week after what he called the "de facto suspension" of the European monetary system, Mr Norbert Walter of Deutsche Bank said M3, the broad money supply indicator targeted by the central bank, was obviously distorted and devalued as an indicator.

Yet the Bundesbank still used M3 as a basis for its policies, he said in a newspaper interview. He also charged the Bundesbank with forgetting its own analysis when using inflation rates as an argument for its actions. This showed monetary policy took two-and-a-half years to influence prices.

Moreover, the inflation rate was over-stated as a result of the many rises in indirect taxes. German inflation exceeded 4 per cent a year and M3 had been growing at an annualised rate of around 7 per cent; these were above the levels desired by the Bundesbank, which had thus been reluctant to speed up interest rate cuts.

Mr Walter did not blame the Bundesbank's high interest rates for curbing European growth. "Inflation, unemployment and the budgetary strains resulting from these are mainly caused by erroneous economic and wage policies," he said. Instead of using German unification as an opportunity to set new economic priorities and dismantle state regulations Germany had transferred its complex system to east Germany.

The Hard Ecu and All That: a Good Thing?

By Peter Marsh, Economics Correspondent

WHAT is the hard Ecu? It is an idea for a new, parallel European currency dreamed up by Britain in 1990 as its contribution to the debate over European monetary union. It was dropped after opposition from the rest of the EC which believed it to be a diversionary tactic aimed at camouflaging Britain's lack of interest in Emu. But with the Maastricht process thrown into disarray by the crisis in the exchange rate mechanism, the hard Ecu could come back on to the agenda.

Why would anyone want hard Ecus? They would bridge the gap between national currencies, such as the D-Mark and sterling, and a new single currency for Europe to be ushered in later. They would be used by business people, tourists and anyone buying and selling goods and services in different parts of Europe. Circulating in parallel with national currencies and freely convertible, hard Ecus would perform a function similar to Esperanto in languages.

Who is backing the hard Ecu? The Institute of Directors, a free-market UK pressure group, thinks it great news for businesses, especially small ones. The Treasury and prime minister's office are playing it cool. Mr Norman Lamont, the accident-prone former chancellor, is an enthusiastic backer – which may not do much for the currency's chances. More positively, supporters of the currency reckon Mr Edouard Balladur, who took over as French prime minister earlier this year, said nice things about it while in opposition.

What about critics? If the hard Ecu ever took off, banks would lose a fortune by the reduction in money-changing fees. So don't expect too many plaudits from them. The Bundesbank does not like the hard Ecu either. In its view, there is a strong, freely circulating currency that could be used across Europe – the D-Mark.

Who would issue hard Ecus? This could be a job for the European Monetary Institute, a souped-up committee of European central bank governors, which is due to be set up on January 1 in an as-yet undecided location. Under the Maastricht guidelines, the EMI is due eventually to become Europe's central bank, in charge of pan-European interest rates and a single currency.

But what would happen to the Ecu already in existence? The existing Ecu (European currency unit) was invented in 1979 and is a purely artificial currency based on a "basket" or set weights of national currencies. At present the D-Mark accounts for about 30 per cent of the Ecu and sterling 12. Although banks, big corporations and governments use Ecus for settling international transactions and for borrowing money, the currency has never caught on as a spending unit in the real world. Less than 1 per cent of EC trade is paid for using Ecus. You cannot use Ecus (worth 75.2p) in shops.

So how would hard Ecus differ from "basket" Ecus? The governments behind the hard Ecu would guarantee that it would never be devalued against the strongest national currency – essentially the D-Mark. They would use their foreign currency reserves and set interest rates to keep the hard Ecu strong. This is a completely different system to the one governing the basket Ecu – which no single body administers and whose value changes over time.

Why is Mr John Major, the prime minister, dusting off the hard Ecu files? Reviving the proposals could help Britain maintain it has a solid set of proposals to help in the aftermath of the ERM fiasco. By underlining the pragmatic nature of the proposal that is basically to do with helping business, Mr Major could steer a middle way between the warring factions of the Conservative party over Europe.

What happens now? Britain is expected to start detailed conversations with the rest of Europe over the hard Ecu in the autumn. Like the 1960s England soccer player Martin Peters, the hard Ecu could be a phenomenon ahead of its time, but which eventually is a hard act to beat.

UK siren song fails to charm Brussels

By Lionel Barber in Brussels and John Ridding in Paris

THE UK's decision to revive proposals for a hard Ecu to trade alongside Europe's national currencies drew a cool response from the European Commission yesterday.

Although there was no official reaction to the British idea, EC officials made clear that it would most likely meet the same kind of opposition from Brussels which helped to sink the plan during negotiations on the Maastricht treaty two years ago.

Despite the de facto suspension of the exchange rate mechanism, the Commission is not ready to consider a British proposal which would be tantamount to withdrawing the Maastricht timetable for European monetary union and going back to the drawing board.

Monetary officials in France, which has previously been cool towards the proposal of a hard Ecu, declined to comment on the proposal. But they emphasised France's continuing commitment to the existing timetable for monetary union, despite the widening of fluctuation bands within the exchange rate mechanism.

A French finance ministry spokesman said the ERM would be able to return to narrow bands before very long and that convergence with Germany remained the objective of the French government.

Mr Edmond Alphandéry, the economics minister, recently said that "the principle of the EMS has been maintained" and that France was preparing a convergence plan in line with the Maastricht treaty. He said the plan would be ready by the end of the month.

A Commission spokesman said British plans for the hard Ecu were still confined to news reports from London. Until Mr John Major's government submitted its proposals for improving economic co-operation in the EC, "we have absolutely no comment".

Other officials in Brussels suggested that Mr Major's revival of the hard Ecu was aimed primarily at filling the political and economic vacuum created by the recent ERM crisis.

Investors set to recharge E German energy sector

A total of DM46bn is waiting to be spent, mainly by the domestic utilities, writes Judy Dempsey in Berlin

THE way has been cleared for an investment programme totalling DM46bn (£17.8bn) to upgrade the energy sector in eastern Germany and to privatise the region's utilities.

The investments, to be made by east Germany's principal utility, Vereinigte Energiewerke, or Veag, and by west Germany's main utility companies, will follow agreement by the last of eastern Germany's 164 local councils to accept the *Stromvertrag*. The latter effectively created a monopoly over the generation and distribution of electricity in the east of the country..

However, its restrictive nature will make it extremely difficult for foreigners to invest in the region's utilities.

Veag, which operates the high voltage transmission network in eastern Germany, has earmarked DM25bn for modernising power generation plant fuelled by brown coal, or lignite. It will also link the eastern and western high voltage grid.

Germany's three largest utilities – RWE Energie, Bayernwerk, and PreussenElektra, a 100 per cent subsidiary of Veba, Germany's energy-based conglomerate – and Veba Kraftwerke Ruhr, also owned by Veba, plan to spend DM21bn on building or upgrading the east's power stations, to be fuelled mostly by lignite. Combined, the investments will give the region a total annual capacity of 12,300MW.

Few foreign investors have been able to obtain a foothold in eastern German utilities. Exceptions are Britain's PowerGen, and the Minneapolis-based NRG utility company, which together are negotiating to buy the giant Mibrag lignite mines and a stake in a power station at Schkopau, near Leipzig.

This is because the sector's future has been mapped out by the Stromvertrag agreed in August 1990 between Bonn, the last East German administration and the West German utilities. This not only creates an effective monopoly but also inhibits the Treuhand privatisation agency from opening up the utilities sector to any competition. For example, under the *Stromvertrag*:

- Germany's three largest utilities, known as the Big Three, were given a combined 75 per cent stake in Veag, which means they control access to the high voltage grid in eastern Germany. While Veag is under the control of the Treuhand, which will sell it later this year, it cannot change its ownership structure.
- Along with west Germany's five smaller utility companies, the Big Three have secured majority stakes of 51 per cent in eastern Germany's 15 regional distribution networks.
- East Germany's local councils are allowed to own only 49 per cent of the region's 15 utilities. The remaining 51 per cent is technically owned by west Germany's eight utilities. The east's regional utilities are also under the Treuhand which is currently selling off the 51 per cent stakes. But again, the *Stromvertrag* does not permit a change in the ownership structure.
- East Germany's regional utilities must buy 70 per cent of their power from Veag over the next 20 years. The remaining 30 per cent of their needs can be generated locally.

For two years, several local councils challenged the *Stromvertrag* on the grounds that they had owned 100 per cent of public assets before they had been expropriated by the east German Communists in 1952. Essentially, the councils wanted access to the lucrative business of power generation. For their part, west Germany's utilities defended this structure on the grounds that their large investment in the east had to be underwritten by guaranteed energy sales.

Although Germany's constitutional court ruled against the councils, a compromise was reached last month giving them the right to their assets provided they sold their 49 per cent stake in the utilities. The money raised would allow them to build their own power plants, but they will first need a licence to do so.

There could be a chance for foreign investors to buy a share of these 49 per cent stakes, but Mr Winfried Mathes, from Deutsche Bank Research, is not optimistic. He said other local councils would have first option on them, followed by the eight west German utilities.

"There is hardly any chance for foreign investors to get hold of these stakes," said Mr Mathes. However, they had the right to buy a share of, or co-operate with local councils in generating 30 per cent of local energy needs. They could also buy brown coal fields, later selling a stake in them to a west German utility in return for access to distribution and the high voltage grid.

The monopoly enjoyed by west German utilities in the east carries a high risk: energy consumption is still falling because the region's industry is still collapsing. According to a utility expert: "The *Stromvertrag* provides guaranteed electricity sales. But the massive investment plans could exceed demand if there is no new industry created. This worries domestic and foreign investors. Indeed, if no economic upturn is in sight, west German utilities might cut back their investment commitments in the region."

Paul O'Driscoll

A giant excavator at an east German lignite mine. Britain's PowerGen and NRG of the US are negotiating to buy mines in the region

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As Japan's coalition takes office FT writers assess the likely policy changes

Ailing economy poised to trigger spending package

By Robert Thomson in Tokyo

JAPAN will consider introducing another spending package later this year to stimulate its ailing economy, but there is no need for an immediate reduction in official interest rates, Mr Hirohisa Fujii, the new finance minister, said yesterday.

Within hours of taking his post in the cabinet unveiled by Prime Minister Morihiro Hosokawa, Mr Fujii was forced to correct a suggestion he had made early in the day that the new government would not increase the country's controversial 3 per cent value-added tax.

He later said the government was not considering an increase in the tax to fund another stimulatory spending package this year, but hinted that an increase might be necessary in the longer term as part of a restructuring of the taxation system.

Mr Fujii, 61, is confronted by an economy that appears to have hit the second of the double-dips in its downturn, prompting business leaders yesterday to remind the coalition to keep an eye on growth as well as on its stated priority of political reform.

The appointment of Mr Fujii has at least reassured finance ministry bureaucrats, who feared the new government

Finance

might be tempted to spend its way out of economic trouble.

Mr Fujii is a former official of the ministry's budget bureau, and insisted yesterday that the government would not issue deficit-covering bonds to increase its scope for spending in a budget under preparation for the year beginning next April.

The finance ministry has already warned other ministries that spending will increase by no more than 3 per cent, and Mr Fujii appeared to support that low ceiling, even though the coalition has talked of increasing social welfare spending and foreign aid contributions.

Mr Fujii graduated from Tokyo university in 1955 and after his stint at the finance ministry was elected to parliament in 1977. He is one of the ex-LDP officials who make up the core of the new cabinet, having left the party this year to join the Japan Renewal party.

In his first press conference yesterday he handled questions deftly, but later found that his answer on the value-added tax appeared to close off all options for an increase, so he issued a statement to clarify the government's position.

The coalition partners are obviously in favour of growth, but Mr Fujii will find that he must tread warily in discussing tax policy, as the Social Democratic party, formerly the *Japan Socialist party*, would prefer the value-added tax to be scrapped.

Asked whether the official discount rate should be cut from the present 2.5 per cent, Mr Fujii said there was no need for an immediate reduction, although he did not intend to tell the Bank of Japan how to handle interest rate policy.

Ms Manae Kubota, the new director-general of the economic planning agency (EPA), will be responsible, along with Mr Fujii, for guiding policy. She is also aware of the influence of Japan's bureaucrats, having worked at the labour ministry before entering politics.

The EPA has been persistently optimistic in the face of signs that personal consumption is falling sharply and Japanese companies are in for a fourth year of declining profits. While private institutions forecast growth this year at around 1.5 per cent, the agency has set a target of 3.3 per cent.

Ms Kubota, 68, a member of the SDP, said yesterday the economy was still digesting a Y13,200bn (£84.6bn) stimulatory package announced in April, and this spending should be completed before the government began planning another package. The government has been condemned for pumping money into public works projects, without addressing the fall in personal consumption and corporate capital spending.

Ms Kubota indicated that more attention should be paid to the needs of consumers.

Reuter

Fujii: must tread warily in discussing tax policy

Hata: the lone elder statesman

By Gordon Cramb in Tokyo

AS THE only member of Japan's new ministerial line-up who has previously held a cabinet post, Mr Tsutomu Hata qualifies automatically as its elder statesman. While this befits the role of foreign minister which he yesterday assumed, it suggests that his voice will also be influential on economic, trade and other matters.

Mr Hata, aged 57, leader of the Japan Renewal party which precipitated the general election by splitting from the long-ruling Liberal Democratic party in June, was finance minister from November 1991 until last December. There he presided over a Y10,706bn (£67,721.51m) government spending programme aimed at mitigating the effects of economic slowdown.

In the mid-1980s he had held the agriculture portfolio – he represents a farming constituency in central Japan which has returned him nine times as an MP – as the markets for beef and oranges were being prised open to foreign producers. He provoked vexed amusement in Washington by maintaining that a difference in Japanese intestines made US beef more difficult to digest.

If that comment was itself hard to swallow, Mr Hata's break with the LDP shows that he has the stomach for a fight. He could have had the foreign ministry in April, when party bosses offered him the job in the hope that he might not defect. Four months on it is his anyway, along with the deputy premiership in a coalition charged with performing surgery on the country's political entrails.

Foreign affairs

The inward-looking nature of the coalition's agenda, as well as differences among its seven constituent parties on key aspects of foreign policy, will make it difficult for him to pursue the heightened role in diplomacy which the country has in recent years been seeking. In an indication that Mr Hata's prime policy thrust may be regional rather than global, he said Japan should seek a reconciliation with its Asian neighbours over the wartime activities of its imperial forces.

He added that Japan needed to move towards normalising relations with North Korea. The statement came partly as a sop to the Social Democratic Party, the largest coalition member and the most left-wing, which has traditionally backed Pyongyang.

But the overture also follows post-cold war shifts in east Asian diplomacy which last year allowed Beijing, North Korea's long-time backer, to establish formal ties with Seoul. The Sino-Japanese relationship will be among the trickiest amid nervousness in Tokyo at evidence that China is modernising its military hardware and staking claim to strategic outposts.

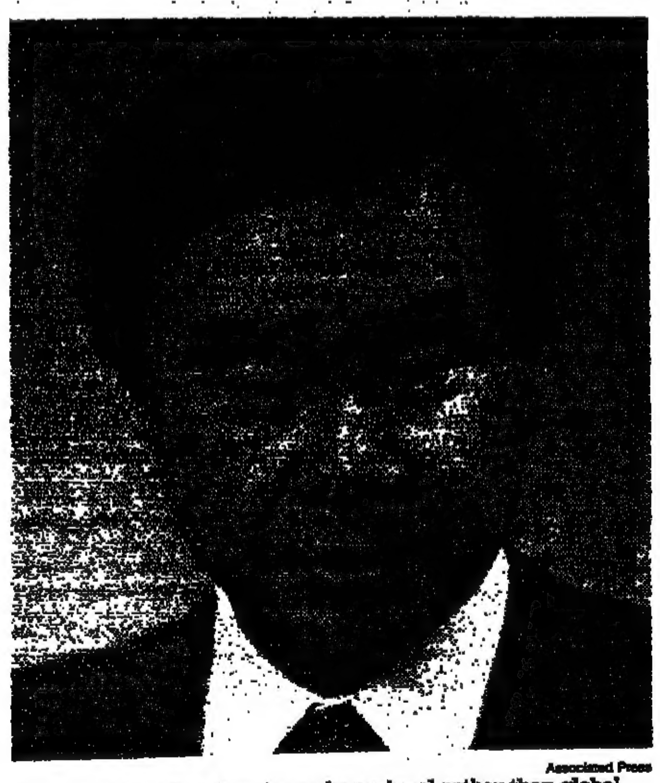
Relations with Moscow meanwhile remain ensnared in the future of the Kurile islands at Japan's northern tip, occupied by the Soviet Union at the end of the second world war. Mr Hata's attention will have been drawn to this yesterday by a raucous demonstration mounted outside the foreign ministry by far-right groups demanding the return of the islands to Japan. Inside, bureaucrats continued to prepare for a twice-postponed visit to Tokyo by Russian President Boris Yeltsin, which may now take place later this year.

A United Nations General Assembly session which convenes late next month will help show to what extent Mr Hata will press the case, mounted under the LDP, for greater recognition of Japan's world stature – in particular, for a permanent seat on the Security Council.

SDP opposition to the deployment of Japanese troops abroad in UN peacekeeping missions could cause snags, but he will have an ally in Mr Keisuke Nakanishi, appointed director general of the country's defence agency. Mr Nakanishi, 52, is from Mr Hata's JRP and worked behind the scenes to bring the coalition together.

Around the time of the UN gathering Mr Hata is expected to accompany Mr Hosokawa to Washington for a summit with President Bill Clinton, and the two visitors can expect the views of his administration on Japan's need to curb its trade surplus and further open its markets to be driven home.

The European Community may have to wait its turn to preach a similar lesson, as Mr Hata yesterday stressed the core nature of the US-Japanese relationship. Although the foreign ministry is often more liberal on trade than other government departments, first indications were that he will at least be a receptive listener. He acknowledged that "lopsided" trade hurt relations with the US and said deregulation must proceed "even if this inflicts a stab of pain on companies at home".



Associated Press

Hata's prime policy thrust may be regional rather than global

THE NEW JAPANESE CABINET

Position	Name	Age	Party
Prime minister	Morihiro Hosokawa	55	JNP
Deputy PM and foreign	Tsutomu Hata	57	JRP
Justice	Akira Mikazuki	72	*
Finance	Hirohisa Fujii	61	JRP
Education	Ryoko Akamatsu	63	*
Health and welfare	Keigo Ouchi	63	DSP
Agriculture, forestry and fisheries	Eijiro Hata	64	JRP
International trade and industry (Miti)	Hiroshi Kumagai	53	JRP
Transport	Shigeru Ito	65	SDP
Posts and telecoms	Takenori Kanzaki	50	Komeito
Labour	Chikara Sakaguchi	59	Komeito
Construction	Kozo Igarashi	67	SDP
Home affairs	Kanju Sato	51	SDP
Chief cabinet secretary	Masayoshi Takemura	58	NHP
Management and co-ordination	Koshiro Ishida	62	Komeito
National Land Agency	Kosuke Uehara	60	SDP
Defence Agency	Keisuke Nakanishi	52	JRP
Economic planning	Manae Kubota	68	SDP
Science and technology	Satsuki Eda	52	USDP
Environment	Wakako Hironaka	59	Komeito
Political reform	Sadao Yamahana	57	SDP

SDP Social Democratic Party, JNP Japan New Party, JRP Japan Renewal Party, DSP Democratic Socialist Party, NHP New Harbinger Party, USDP United Social Democratic Party. * not affiliated

Trade and Agriculture

Kumagai likely to follow the LDP policy line

By Emiko Terazono in Tokyo

CONCERN among Japanese bureaucrats that inexperienced politicians would take the lead in trade policy was alleviated yesterday by the appointment of the Japan Renewal Party's Mr Hiroshi Kumagai as the minister for International Trade and Industry, and Mr Eijiro Hata, also of the JRP, as agricultural minister.

Mr Kumagai, 53, is an advocate of deregulation and decentralisation, and has been critical of the cohesion among politicians, bureaucrats and businesses. He is also known as the right hand man of Mr Ichiro Ozawa, co-leader of the JRP, and has nurtured international links during his stint at Harvard University.

He is known for his outspokenness and is famous for openly criticising Mr Kiichi Miyazawa, former prime minister, for his economic policy. However, as a former trade bureaucrat and ex-Liberal Democratic Party member, Mr Kumagai is likely to inherit the policies of the LDP and produce few surprises.

He yesterday reiterated the line of the Miti mandarins on numerical targets for the country's imports. He said managed trade would counter Japan's direction of deregulation and market liberalisation.

Instead it was Mr Tsutomu Hata, the new foreign minister, who shed some light on the new government's direction on trade. He expressed the need for Japan to take "tough and painful" decisions to open its markets to avert the consequences of trade friction with the US. "Not only the government, but private industries and the people must see that it is not good for Japan to be sole winner," he said.

Mr Hata suggested that Japan would take a tougher stance on trade, as he said an impression that Japan is being bullied into concessions by the US would create "extremely dangerous" feelings on both sides. For those who had hoped Mr Hosokawa's rise to power would lead to an opening of the country's rice market, the coalition's official line of keeping the market closed has been disappointing. Mr Hosokawa's Japan New Party, had initially called for the liberalisation of the rice market.

Most of the members of the JRP, the core of the coalition, are supported by rural constituencies, while the Social Democratic Party is also beholden to farmers' interests. Mr Hata said it was simplistic to think Japan's rice import ban alone was preventing conclusion of the Uruguay Round of multilateral trade talks.

Associated Press

Kumagai: few surprises

Mr Eijiro Hata said he would respect the ban on rice imports. While Mr Hata, aged 64, has had close links to the post and telecommunications ministry, and has been involved in the privatisation of Nippon Telegraph and Telephone, his background lies in a rural area in southern Japan.

Mr Kumagai yesterday repeatedly stressed the importance of the successful completion of the Uruguay Round. Officials at Miti claim that there will be a more international focus on policies. However, to lead his former colleagues at the trade ministry to a new openness, while fighting off pressure from Japan's western peers, Mr Kumagai will need to be more than Mr Ozawa's right hand man.

Rabin rules out direct PLO talks

By Julian Ozanne in Tunis and Reuter in Jerusalem

ISRAEL'S government yesterday ruled out direct talks with the Tunis-based Palestine Liberation Organisationand said it would keep negotiating with a Palestinian peace delegation from the occupied territories.

Prime Minister Yitzhak Rabin's comments followed a threat to resign by three top members of the locally-based Palestinian delegation and speculation that Israel might agree to direct talks with the PLO because it appeared to be taking a more moderate stand.

The three negotiators – Mr Faisal Husseini, Mrs Hanan Ashrawi and Mr Saeb Erekat – were last night locked in negotiations with senior PLO officials including Mr Yassir Arafat, the organisation's leader.

Mrs Hanan Ashrawi, the Palestinian spokeswoman, continued to refuse to deny or confirm resignation reports, fuelling speculation that the Palestinians from the occupied territories were using the threat of resignation as a way of increasing pressure on the PLO leaders. Mr Haidar abdel-Shafi, head of the Palestinian negotiating team, was due to arrive in Tunis from Amman to join the talks.

"It is a Palestinian problem," Mr Rabin said. "It is not our business what is the composition of the Palestinian delegation as long as it is composed of residents of the territories."

Mr Shimon Peres, foreign minister, when asked whether Israel should negotiate directly with the PLO, said: "Everything has its time. This question too has its time and it is not now. At this stage, there is a delegation we can negotiate with." Mr Rabin's government, which has already ended a ban on private contacts with the PLO, has faced a growing clamour from the left wing of his Labour party and the Meretz party within his coalition to agree to talks with Mr Arafat.

IMF yet to agree Pakistan package

By Farhan Bokhari in Islamabad

AN International Monetary Fund delegation left Pakistan last night without reaching agreement with the interim government on economic measures which would be backed by IMF loans.

Mr Saeed Qureshi, secretary general of the finance ministry, said there were "no major ticklish issues left". But he conceded that details on revenue collection and control of government spending needed to be finalised.

The caretaker prime minister, Mr Moeen Qureshi, is expected to announce economic reforms on Saturday which will include steps to increase revenues and reduce expenditure to cut the country's large budget deficit.

Among measures being considered is a larger wealth tax on rich landowners, whose political influence has enabled them to escape heavy taxation.

The government may also seek to merge up to 21 federal ministries into other ministries.

The government hopes that the measures will secure the IMF's agreement to provide $1.2bn of loans. Mr Mohammad El-Erian, the IMF mission leader, will brief colleagues in Washington before a recommendation is sent to the fund's board. Mr Qazi Aleemullah, Pakistan's finance secretary, said there was a "more than 80 per cent chance" of agreement.

Pakistan expects $1bn from a combination of the IMF's Extended Finance Facility and Extended Structural Adjustment Facility over three years. The government is also seeking up to $200m as a Structural Adjustment Facility to meet short-term balance of payment needs, of which the first tranche could be made available in September. Ratification of the longer-term package would await the arrival of a new government after October elections.

HK re-opens inquiry into explosion

HONG KONG'S attorney general has relaunched an inquiry into the explosion which killed two people at a Hong Kong power plant owned by China Light and Power (CLP) and Exxon, following accusations that the companies withheld information from the original investigation, writes Simon Davies in Hong Kong.

The companies are currently facing a US$125m (£83.8m) Texas court action by their former legal representative, Mr Michael Ford, who claims that he was dismissed during the original inquest after he discovered that vital evidence was being back. CLP has stated that Mr Ford's accusations are "unfounded and wholly without merit" and has obtained an injunction in Hong Kong to *prevent him from releasing* information obtained during his employment by the group.

However, allegations in a court petition in Alice, Texas, had put Mr Jeremy Mathews, Hong Kong's attorney general, under pressure to re-open the investigation. He yesterday issued a letter to the coroner, instructing him to act as though the initial inquiry had never been concluded.

Action on Taiwan officials

TAIWAN'S highest watchdog body yesterday impeached 15 officials of two state-run companies for alleged involvement in a multi-million dollar construction scandal, its spokesman said, Reuter reports from Taipei.

The Control Yuan approved motions to impeach five current and former officials of the state-run Tang Eng Iron Works, including company president Andrew Yen, for allegedly inflating by US$11.2m the value of a contract to build a waste water treatment system for Chinese Petroleum, the spokesman said. The project was awarded in 1991 to Brown and Root International, the US construction company, which subcontracted it to Tang Eng and other groups.

Ten current and former Chinese Petroleum officials were also impeached, including former president Kuan Yung-shih, now chairman of the state-run China Petrochemical Development, the spokesman said.

The Committee on the Discipline of Public Functionaries will decide what action to take against the 15, he said.

Kenya's quest for credibility meets a sceptical eye

Western donors are unconvinced by attempts to end corruption, writes Leslie Crawford

MR Micah Cheserem, Kenya's new central bank governor, sought recently to reassure an International Monetary Fund team in Nairobi of the Government's zeal in trying to stamp out financial corruption. His assurances met with scepticism.

Kenya has some way to go to win credibility with its donors, even after the past turbulent weeks in which two local banks were closed and the Central Bank's two most senior employees sacked.

Mr Musalia Mudavadi, the finance minister, ordered the closure last month of the Exchange Bank and the Pan African Bank – known as "political banks" for their ties to influential politicians – after external audits, carried out at the insistence of the IMF, revealed serious financial malpractice.

Exchange Bank is alleged to have defrauded the Central Bank of millions of dollars by claiming export rebates on fictitious shipments of gold and diamond jewellery.

In addition, the Central Bank is owed $156m by the two closed banks and a third institution under investigation. Delphis Bank, according to an internal Central Bank memo leaked to the local press. The three local banks acquired high-yielding treasury bills with unsecured cash advances from the Central Bank. There is no evidence that the money has been repaid.

"Bank overdrafts to financial institutions are leading to massive inflation, the need to devalue the currency, instability in the macro-economic scene," Mr Edward Jaycox, the World Bank's vice-president for Africa, said recently. "This deters investment, it also raises questions about the management of the economy which are more long-standing."

Such squandering of public money is embarrassing to a government that is trying to win back foreign aid suspended in November 1991. Kenya is now more than $550m (£369m) in arrears to institutions and creditor governments on its debt service obligations.

President Daniel arap Moi is under pressure from the World Bank, which has told the president privately that Kenya has one last chance to clean up its economic management. The country's largest donor will pull out of the country if it fails to do so, it said.

While there is some confidence among western bankers in Mr Mudavadi's determination to root out corruption, many Kenyans believe that the powerful men behind the President have a different agenda. They believe Exchange Bank and Pan African Bank were sacrificed because they had already exhausted their usefulness. Few believe the "intensive investigations" promised by the finance minister will result in arrests, prosecutions or convictions.

"Why was [former Central Bank governor Eric] Kotut given another public sinecure?" asks Mr Peter Waturere, managing editor of the weekly Economic Review. "His forced resignation was a cosmetic measure. I don't think it reflects well on the government's commitment to cleaning up corruption."

Another banker says: "What we are seeing now is a lot of transparency with no accountability."

Not a day goes by without newspapers or opposition members of parliament denouncing new scams or documenting evidence of graft within at the heart of government.

"Western agencies and donors," the Daily Nation said in an editorial, "will not be disposed to rush in and restart full aid support when [a banking] scandal of these proportions remains not just unresolved but fundamentally unaddressed."

Some donors worry that the two top positions at the Central Bank are now being held by men with no experience in banking or central bank management.

Others however, say they are encouraged that at least some reform has taken place in the past four months. Special waivers in the Banking Act, which allowed the "political banks" to function with impunity, have been scrapped. Import licenses have been abolished. Exporters are now allowed to keep foreign earnings in retention accounts, which has in turn reduced the practice of under-invoicing.

But many problems remain. The country's annual audit of its public accounts, published last month, is a sorry catalogue of the government's inefficiency and mismanagement. As well as the Exchange Bank scandal, it documents the use of National Social Security Funds to buy houses from a private developer at inflated prices; irregularities in the Health Ministry's public tendering for drugs; and millions of dollars and sterling paid by the Office of the Vice-President to overseas companies for the procurement of equipment that was never received.

Mr Jaycox's appeal to Kenya last month appeared final: "We want Kenya to run its economy," he said. "We don't want to have to come out to Kenya every few months and look over everybody's shoulder to check the books."

Clinton risks westerners' ire over grazing

By George Graham in Washington

THE CLINTON administration is again risking the ire of senators from the west of the US with the release of fresh proposals for improving the management of federal range land in the west. The package includes a sharp increase in the fees charged to ranchers for grazing their livestock on government lands.

Mr Bruce Babbitt, interior secretary, said the proposed new rules, expected to take effect next year, were aimed to improve the condition of the landscape in 260m federally owned acres in the west, particularly on fragile river and lake banks.

President Bill Clinton originally planned to increase grazing fees and mining royalties on federal lands as part of his budget package, but agreed to remove the measures from it under pressure from western senators, who fight hard for ranchers.

The grazing fee increase will now come about through an administrative rule, rather than through legislation. Mr Babbitt promised to tackle the mining issue in September.

The ranchers' victory has proved short-lived but the damage it did to Mr Clinton's presidency persists. The concession signalled to other members of Congress that Mr Clinton could be pressed, and led to the dismemberment of his budget package, which passed Congress last week in a much altered form.

Mr Babbitt has proposed a phased increase in grazing fees, over the next three years, to $4.28 per animal unit month (based on the acreage needed to feed a cow and her calf or five sheep for a month).

This would bring in some $80m from the 170m acres run by the Bureau of Land Management, and another $40m from the 94m acres of grazing allotments run by the Forest Service.

The secretary said the increase in grazing fees would enable ranchers to continue to make a living off public lands.

Grazing fees on federal lands were cut under President Ronald Reagan from $2.36 per animal unit month in 1980 to $1.35 in 1985-87, before rising again to $1.86 this year. Over the same period, average lease rates for grazing on private lands have climbed steadily, from $7.53 per animal unit month to $10.03.

Chilean right picks candidate

By David Pilling in Santiago

THE DIVIDED right-wing opposition in Chile has nominated Mr Arturo Alessandri as its candidate for the presidential elections in December, in a desperate attempt to present a united front to the electorate.

Mr Alessandri, nephew of one president and grandson of another, emerged as a compromise candidate during the convention on Sunday of the Union for Chilean Progress, an electoral pact of five centre-right parties.

There were scuffles at the convention when it became clear that Mr Manuel Feliù, leader of the main opposition party, Renovación Nacional, was not going to win.

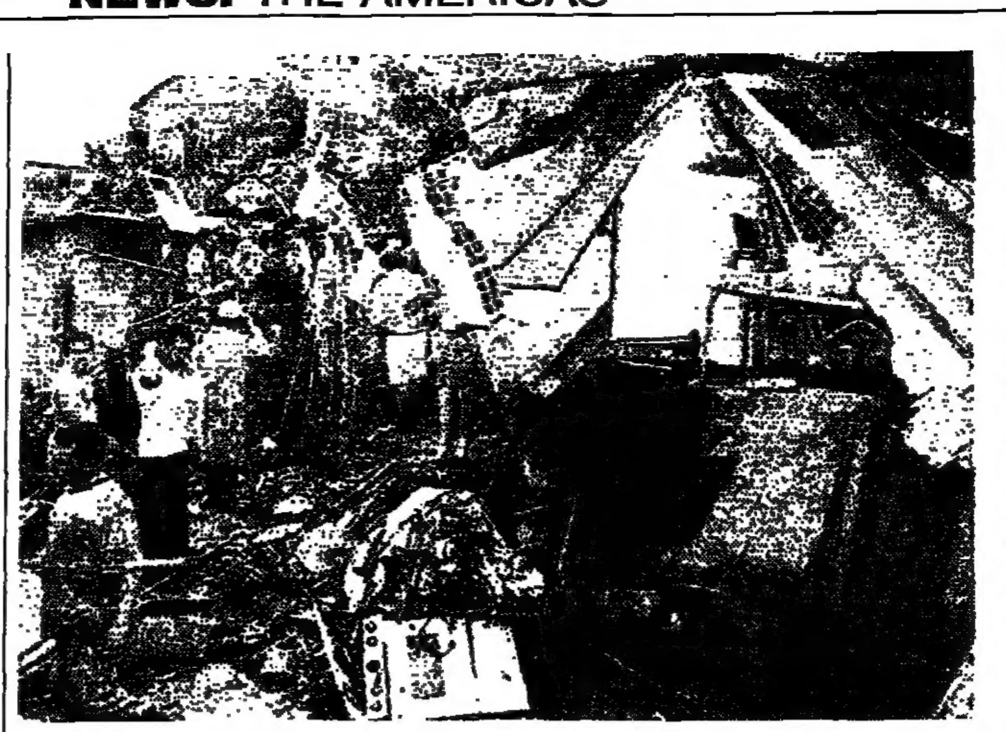
Mr Alessandri, an independent, faces what he acknowledged was an "uphill battle" in trying to defeat the current presidential front-runner, Mr Eduardo Frei, candidate of the governing centre-left coalition, Concertación. Mr Frei, himself the son of a former president of Chile, holds what seems to be an unassailable lead in opinion polls.

Promising to fight the campaign on the issue of law and order, Mr Alessandri said: "If the election were held tomorrow, I have no doubt that Frei would win. But be careful – the election is not until next December 11."

Others in the right-wing camp set more modest goals. "The right cannot win the presidential election," said Mr Francisco Javier Cuadra, a minister during the military regime which steppped down in 1990. "The role of the presidential candidate is to permit the right-wing parties to gain a strong Congressional vote."

Chile will also hold Congressional elections on December 11.

Chile's opposition holds more than a third of the seats in Congress, enough to block important constitutional amendments. Its semblance of unity should enable it to retain that Congressional influence, effectively limiting the next president's authority.



Toll in Caracas storm tops 100

By Joseph Mann in Caracas

VENEZUELAN firemen and civil defence crews were yesterday pulling bodies out of the wreckage of shanty towns ringing Caracas after tropical storm Bret hit at the weekend.

The storm killed more than 100 people in the capital, according to preliminary reports yesterday. Hundreds have been injured and thousands left homeless. Yesterday, residents were clearing up after the rains (picture left).

Most of the damage occurred in the Caracas metropolitan area, where heavy rains on Sunday morning battered slum dwellings perched on the city's many hills, causing mudslides and burying people alive.

The total number of victims was still in doubt yesterday and the government had not issued official figures.

Caracas newspapers estimated fatalities nationwide could top 300.

The US National Weather Service said yesterday that Bret, which was breaking up as it moved off the Colombian coast, could gain strength before moving over Central America.

The government of President Ramón José Velásquez has declared a state of national mourning. Despite a big fiscal deficit, officials are looking for ways to release funds for emergency relief.

Midwest floods recede faster than expected

WATER levels are dropping dramatically in some areas along the swollen Mississippi River, but there is still enough pressure on water-logged levees to keep flood-weary residents on edge. **AP reports from St Louis.**

The river at St Louis had fallen 1.3 feet in 24 hours to 43.6 feet by yesterday morning, said Mr Lou Chiodini of the Army Corps of Engineers. That is down from the record crest of 49.4 feet on August 1.

The Mississippi had been forecast to drop below flood stage, which is 30 feet at St Louis, by late August or early September.

High water pressure remains on the levees that have held back the river for weeks. "You can breathe a certain sigh of relief but it's not a time to stop being vigilant," Mr Chiodini said.

The National Weather Service said much of the Midwest would be without rain for the next few days, raising hopes that the levees will survive as the water recedes.

"It's looking better," a weather service spokesman said.

Canada's Liberals turn up the heat

The ruling Tories look vulnerable, but it is early days yet, writes Bernard Simon

IF contributions to political party coffers are a guide, Canada's business community is preparing for a change in government later this year.

A list of donors to political parties published last month shows that donations to the Liberal party, which has been in opposition since September 1984, jumped by 11.5 per cent last year to C$7.6m (£3.95m), with almost half coming from business donors. By contrast, contributions to the ruling Progressive Conservative Party slipped by 4 per cent.

The Liberals' improved financial fortunes mirror a perception in political circles that the Tories face an uphill battle to win a third consecutive mandate in the next election, which is expected in late September or October.

Before the Tories swept into office in 1984, the Liberals had been in government for 42 of the previous 50 years. But for most of the past nine years, they have been plagued by internal dissension and weak leadership. Liberals hold 79 of the 295 seats in the House of Commons. Even now, opinion polls show that while the Liberals are ahead overall, Ms Kim Campbell, who took over as Tory leader and prime minister in mid-June, is far more popular than the Liberal leader, Mr Jean Chrétien.

Ms Campbell has begun an effort to shake off the legacy of her unpopular predecessor, Mr Brian Mulroney. Her performance at the Group of Seven industrial nations' summit in Tokyo last month made a good impression at home.

Since then, her advisers have persuaded members of the Senate, the upper house of Parliament, to reverse an increase in their expense allowances. Ms Campbell was expected yesterday to propose tighter rules for parliamentarians' pensions, and a shake-up in the pervasive (but unpopular) system of political patronage.

Ms Campbell indicated last weekend that she plans a number of other policy initiatives before setting an election date.

According to one senior adviser, the Campbell-led Tories will further try to distance themselves from the Mulroney era by unveiling an adjustment assistance programme for companies and workers hurt by the free-trade pact which Mr Mulroney negotiated with the US in 1989.

Despite these Tory initiatives, the Liberals' mood is more upbeat than it has been in years. The Liberals are well ahead in the polls. And the party believes Ms Campbell will not be unable to shake off the impression that, in the words of one Liberal MP, she is "Mulroney in a skirt".

The party will lose no opportunity in the coming campaign to remind voters that, under Tory rule, Canada has suffered a deep recession and massive job losses. They will argue that privatisation and free trade have brought more costs than benefits. Moves by both Mr Mulroney and Ms Campbell to reform the generous social security system will be cited as evidence that the Conservatives are squeezing public spending with little concern for "ordinary" Canadians.

"The main issue is to tie Campbell to her predecessor's record," says a Liberal pollster.

While Ms Campbell is promising to eliminate the C$35bn-a-year federal budget deficit within five years, Mr Chrétien is aiming to cut it to only 3 per cent of gross domestic product, from 5.2 per cent last year.

Meanwhile, the Liberals are the most likely beneficiaries of recent developments among smaller political parties. Support for the left-leaning New Democratic Party, which has 43 seats in parliament, has withered, mainly as a result of the unpopularity of NDP provincial governments in Ontario and British Columbia.

Disaffected NDP voters are more likely to shift their loyalties to the Liberals than to the Conservatives.

Another point in the Liberals' favour is that the Tories' strength in Quebec has been sapped by the emergence of the separatist Bloc Québecois as a federal party. Mr Mulroney, who is from Quebec, relied heavily on nationalist forces not only for votes but also organisational support in the 1984 and 1988 elections.

The Liberals have addressed at least some of the internal problems which handicapped them in the last two elections. Although they remain divided on many economic and social issues, they have worked hard to present a more cohesive platform to the electorate. Talk in some quarters of tearing up the US-Canada free trade agreement, as advocated in the 1988 campaign, has evaporated.

One pollster with ties to the Liberals sees one of his main tasks at the moment to guard the party against over-confidence. With ideology playing a relatively small role in Canadian politics, voters' minds can change quickly and often.

Observers point to recent experience in the province of Alberta. Having rid themselves of an unpopular premier, the Tories came from behind to score a resounding victory in the June provincial elections.

The Canadian government has appointed a prominent Winnipeg businessman to oversee a new effort to dismantle pervasive non-tariff trade barriers between the country's 10 provinces, reports Bernard Simon in Toronto.

Mr Arthur Mauro, former chief executive of Investors Group, Canada's biggest mutual fund distributor, will chair the Internal Trade Secretariat, which was set up earlier this year so as to co-ordinate domestic trade liberalisation.

The federal and provincial governments have set a target of June 30, 1994, for a "single-market" agreement. Most observers expect, at best, limited results by then. The Canadian Manufacturers' Assocation has identified about 500 provincial trade barriers, including government procurement preferences, product standards, marketing boards and curbs on labour mobility.

US and Mexico may thrash out separate deal on Nafta issues

By Nancy Dunne in Washington

CANADA'S trade minister, Mr Thomas Hockin, yesterday prepared to leave Washington, where talks between US and Mexico were still under way on the North American Free Trade Agreement.

His departure, to attend a cabinet meeting in Ottawa, fueled speculation that the US and Mexico were negotiating separate deals in the current talks over environment, labour, import surges and financing of a US-Mexico border clean-up.

Officials of the US, Mexico and Canada issued a statement that press reports of separate deals over the weekend were "inaccurate, misleading and false".

Canada has been a firm opponent of a US proposal to create a strong enforcement mechanism if any of the three governments fail to enforce their labour or environmental laws. Mexico has backed a proposal to use the levying of fines for enforcement, but this has been vetoed by key Democrats in the US Congress.

At the very least, the US and Mexico are expected to agree to some combination of fines and tariff "snapbacks" in the event of "persistent, systematic and unjustifiable" non-enforcement of environmental laws.

In Congress, there is concern that fighting over Nafta has "turned intensely ugly." US corporations, hostile to labour and environmental enforcement, are believed to be supplying Mexico with proposals to bring to the bargaining table.

Ms Lori Wallach, a lawyer of Public Citizen, a citizens' group opposed to Nafta, predicted there would be "teeth" in the final agreement over sanctions to enforce labour and environment agreements, as the Clinton Administration has often promised, but "the teeth will be in the large intestine" at the end of "a long, twisted, tortuous" dispute settlement process.

Mr Mickey Kantor, US Trade Representative, has made little progress in satisfying Ms Wallach and other opponents of the pact. Disputes between the US and Mexico over the environment can drag on for years, critics say, because there are no precise deadlines for investigations and settlement as there are for settlement of commercial disputes.

Environmentalists also complain that although the side agreement deals with environmental protection, conservation issues – such as the controversy over drift net fishing – are not included.

Labour leaders say they get even less from the side agreements.

Belfast group in China deal

THE Alexander Group, a Belfast-based industrial manufacturing and supply company, has announced details of three contracts with the Chinese coal industry, worth about A$3.5m (£1.6m). **Our World Trade Staff writes.**

The company, which has established trading divisions in China, Australia and Indonesia, negotiated the deals with the Chinese government. It will provide equipment for coal mines in Inner Mongolia as well as Shanxi and Guangdong provinces.

Most of the work will involve supplying a high-output mobile coal screener in Guangdong province.

The group has also been contracted to supply and install a large coal sizer in Inner Mongolia. The machinery is designed to reduce the size of coal for power station fuel.

Mr Robin Alexander, chairman, said the company had been "working hard to achieve such contracts with the Chinese government".

US, Japan 'dominate in Pacific'

ASIA-PACIFIC trade issues will be dominated by the US and Japan, with other countries likely to be pawns in the struggle between the region's two economic superpowers, delegates said yesterday at the Indonesia, Asia-Pacific and the New World Order conference on the Indonesian island of Bali, reports William Keeling at Nusa Dua, Bali.

Dr Fred Bergsten, director of the Institute for International Economics in the US, said Washington showed "strong support" for the Asian Pacific Economic Community (Apec), which groups the US, Japan and most east Asian nations.

But he backed the US government in accusing Japan of establishing "very pervasive impediments to a lot of its markets. The global affect of Japan's market access problems. . . undercuts the prospects of maintaining an open trading system," Dr Bergsten warned.

In response, Japanese delegates criticised US insistence that Tokyo provide foreign companies a minimum market share in sectors such as that of semiconductors. "It's a very dangerous situation where American regulators judge products to be competitive," noted Mr Kazuo Nukazawa, managing director of the Japan Federation of Economic Organisations.

Other Asian delegates viewed US support of Apec as an attempt to enlist Asian support in Washington's trade campaign against Tokyo. While remaining sceptical of US intentions, however, they noted any improvement in market access to Japan would benefit other east Asian countries.

Most delegates backed the informal meeting of Apec heads of state proposed by President Bill Clinton for Seattle in September. But they argued strongly against the organisation, which established its secretariat in Singapore this year, having any supra-national powers.

Delegates said it was premature for Asia-Pacific to be viewed as an homogeneous economic region.

These divisions, however, have done little to calm the European Community's fears that Apec could emerge as a protectionist regional trade bloc. "An Asian-Pacific preferential area would look like an American trade bloc aimed at the [European] Community," said Mr Jim Rollo, director of the Royal Institute of International Affairs in the UK. Some delegates argued that regional trade associations could provide the catalyst for freer international trade, but the history of the EC showed that, despite the best intentions, large regional trade groupings could drift toward protectionism, Mr Rollo said.

Treuhand team hunts for export niches in the east

By Judy Dempsey in Berlin

Trade across Europe

THE Treuhand agency charged with restructuring and privatising east German industry is using countertrade and joint ventures to stimulate exports between east German enterprises and former Soviet republics.

Prior to June 1990 trade between the former Soviet Union and east Germany totalled DM30bn (£11.6bn). But monetary union in Germany virtually destroyed the east's trade with Russia and the countries of eastern Europe.

In an attempt to tap the export potential of some east German companies which once had close links with the Soviet Union, the Treuhand has set up a team to find markets.

Mr Hero Brahms, vice-chairman of the Treuhand, says: "Under normal conditions it would be the company's task to find export possibilities. But because of the situation in eastern Germany, we are trying to support east German companies in finding. . . creative solutions which have export possibilities, irrespective of financial problems."

Mr Brahms hopes the former Soviet republics will be able to buy east German products worth DM1m in the short term, while in the long term barter deals could amount to DM1bn.

The barter deals carry a high risk partly because of the acute shortage of hard currency in the former Soviet republics and the vulnerability of the east German economy. "These creative solutions cannot go on forever. They are temporary. But we have to support companies if we believe they can survive," Mr Brahms says.

Officials at Hermes, Germany's export credit insurance agency, yesterday said there was little point in backing countertrade if, after six months, an east German company faced liquidation. "Dealing with Russia entails a high risk," said Mr Hans Janus, a Hermes official.

Last weekend's decision by the federal economics ministry to cut off all Hermes support to Russia, because of delays in outstanding interest payments of DM500m, confirms this view. It may also affect the fledgling revival of barter between east Germany and Russia.

Last year the agency imposed a ceiling of DM5bn on credit guarantees, but gave priority to east German exporters.

OECD Export Credit Rates

THE Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially-supported export credits for August 15 to September 14 (July 15 to August 14 in brackets)

D-Mark	7.18 (7.39)
Ecu	7.52 (7.72)
French franc	7.06 (7.73)
Guilder	
up to 5 years	6.90 (7.15)
5 to 8.5 years	7.20 (7.35)
more than 8.5 years	7.85 (7.85)
Italian lira	10.30(11.14)
Yen	4.80 (5.20)
Peseta	10.96(11.34)
Sterling	7.80 (8.10)
Swiss franc	5.59 (5.69)
US dollar for credits	
up to 5 years	5.43 (5.53)
5 to 8.5 years	6.09 (6.22)
more than 8.5 years	6.48 (6.61)

These rates are published monthly by the Financial Times, normally at the middle of the month.

A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.

SDR-based rates of interest are the same for all currencies but must be used only for the OECD-defined poor countries.

Between January 15 and July 14, the SDR-based rate was 7.55 per cent. The SDR-based rate was changed on July 15 to 6.84 per cent. It will be subject to change on January 15 1994.

Indonesia's power scramble

William Keeling on the battle for market share in the energy sector

COMPANIES supplying Indonesia's fast growing electric power sector have entered a fierce battle for market share. At stake is investment in the power sector which the World Bank estimates will total $33bn in the current decade.

The country's most recent contracts have been for contracts for three gas-fired power stations in Java worth about $1.5bn, to be built by mid-1995.

Indonesia's Government wants to double the grid's capacity in that time to about 20,000MW. It hopes that one-third of future investment in the national grid will come from the private sector.

The timetable for new capacity, however, has been upset by slow negotiations for the large Paiton plant in East Java, which would launch a programme of privately built, owned and operated stations.

Paiton's first 1,200MW stage, worth $2bn, had been due for completion in 1995 but is now unlikely to begin operating before 1998. Already faced with a substantial backlog of customer connections, PLN, the state-owned power company, faces an acute power shortage.

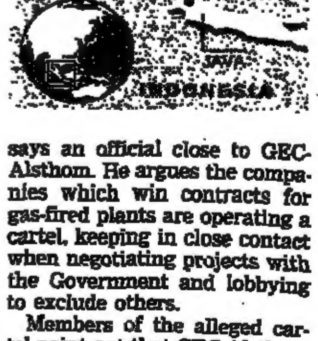
Last month, the Government announced negotiations with Mitsubishi and Sumitomo of Japan, and Asea Brown Boveri (ABB) of Germany, for three gas-fired power stations on Java - to be owned and operated by PLN - made up of open cycle (solely gas-fired) and combined cycle (gas-fired and steam-driven) units.

ABB and Mitsubishi will build two 800MW plants at Mawar Tawar, West Java and Pasuruan, East Java respectively. Sumitomo will construct a 500MW plant at either Tambak Lorok or Cilacap in Central Java.

PLN says the three stations are being contracted on a repeat-order basis in recognition of the three companies' proven track record in Indonesia. But the decision not to widen negotiations to other manufacturers has provoked squabbling among the foreign companies seeking contracts.

Last month (July), parliamentarians requested the contracts be reviewed after GEC-Alsthom, the Anglo-French power equipment company, made a cut-price uninvited offer to supply the new stations' open cycle units.

"Every time there is a new contract the government says it is a repeat-order. When will the other manufacturers get a chance? It's about time other suppliers came in to ensure more competitive pricing," says an official close to GEC-Alsthom. He argues the companies which win contracts for gas-fired plants are operating a cartel, keeping in close contact when negotiating projects with the Government and lobbying to exclude others.



Members of the alleged cartel point out that GEC-Alsthom participated and lost in an open tender for two earlier gas-fired stations, the 1,500MW plant at Gresik in East Java and the 1,180MW plant at Tanjung Priok in Jakarta.

In May, PLN sought government approval for the three stations. PLN said the companies - ABB and Mitsubishi - had offered the open cycle units at $6m per megawatt.

In early June, GEC-Alsthom wrote to President Suharto offering the open cycle units at $5m per megawatt and with an earlier delivery date. The presidential office initially welcomed the proposal but the company has since been told by the Ministry of Mines and Energy that its offer will not be considered.

Government officials say negotiating directly with ABB, Mitsubishi and Sumitomo is the safest way of ensuring the looming power crisis is avoided. The three companies are already constructing gas-powered plants in Java.

While items such as land clearance, associated infrastructure and design specifications could account for some increase in project costs, industry observers are concerned the government is not always getting value for money.

The fault may not lie with PLN negotiators who have been overstretched by the sudden demand for new capacity. To use an open tender process for the new gas-fired plants would require at least a dozen proposals to be analysed.

Industry observers say, however, that ministers should reconsider a policy which favours companies already entrenched in Indonesia and which blocks other manufacturers wishing to supply the sector.

NUOVO Pignone, the Italian engineering company owned by the state-sector Eni energy and chemicals group, has won an turnkey order for a 360MW electricity generating plant, reports Haig Simonian in Milan.

The order, placed by Malaysia's Tenaga Nasional Berhad, is worth more than L200bn (£85m).

The contract for the new gas-fired station, to be located at Port Klang, near Kuala Lumpur, is for three 120MW gas turbines and all anciliary electrical, mechanical and civil engineering work.

Leading through Strength in R&D

In support its core activities in 'Electronics and Energy', Toshiba Corporation has expanded into vast array of fields—information and communication systems and electronic devices to heavy electrical apparatus, and consumer products. In each of the areas Toshiba has targeted, the secret behind the company's success, believes company president Fumio Sato, is the high priority placed on research and development.

By Russell McCulloch

Mr. Fumio Sato, *President and Chief Executive Officer, Toshiba Corporation*

Technologies—A Driving Force for Corporate Growth

McCulloch: We are all looking forward to a recovery in the world economy. What do you think is the most important factor for Toshiba's continued corporate growth?

Sato: Kisaburo Yamaguchi, a former president of Toshiba, once said that a manufacturer without R&D facilities is like an insect without antennae. Strong technological capabilities provide the basis, the driving force, for corporate growth. This means that the ability to create innovative products is a key factor determining corporate strength in this severe business climate.

R&D also plays an important part in our "Three G" policy, covering Growth, Group and Global. To achieve growth, we have to direct our resources to facilitate expansion in promising areas. Our group policy is geared to enhancing group R&D, and so strengthen the overall capabilities of Toshiba Group. Our global target is continued promotion of globalisation, including expansion of overseas R&D and production. Here, we are also pursuing greater localisation in the management of our overseas subsidiaries, and realising our policies for competition, cooperation and complementarity through global alliances with major international companies.

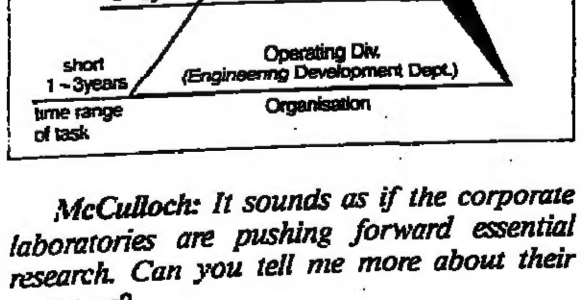
Three-tier R&D Structure

McCulloch: How is Toshiba's R&D organised?

Sato: Our business interests are very diverse, ranging from information and communication systems and electronic devices to heavy electrical apparatus and consumer products. We see our field as "Electronics and Energy", from which we have derived the Toshiba slogan "E&E." We carry out research in the wide variety of technologies required to support "E&E."

Our R&D is organised in a three-tier hierarchy, with laboratories at each level carrying our different assignments. In the first-tier, the laboratories at our corporate Research and Development Centre conduct research from a long-range perspective of more than five years. That is, working on basic technologies that might be utilised in products in five or more years from now. The second-tier development laboratories belong to our different business groups. They are oriented to practical application of the technologies developed in the corporate labs, and are looking at commercialisation of new products within a three to five year time span. Final commercialisation, in under three years, is carried out by the engineering departments in each operating division.

Mission of R&D Organisation



McCulloch: It sounds as if the corporate laboratories are pushing forward essential research. Can you tell me more about their structure?

Sato: Well, in October last year we completed a major restructuring of corporate research and development. What we wanted to achieve was a further refinement of our capabilities. We wanted to break down barriers, promote inter-disciplinary activities and quicken our responses to fast-changing trends. We now have eight laboratories that make up the R&D Centre. They are Advanced Research, Materials & Devices Research, Communication & Information Systems Research, Energy & Mechanical Research, ULSI Research, Systems & Software Engineering, Environmental Engineering, and the Kansai Research Labs., which are responsible for R&D in information and communication technologies. Each of these is free to carry out their own projects. There is one more organisation I should mention. The Manufacturing Engineering Research Centre is responsible for developing production technologies used throughout the company. These are essential for reliable mass production of precision equipment.

McCulloch: What about numbers? How many engineers work in R&D?

Sato: Quite many. One of the reasons why so many Toshiba products enjoy worldwide recognition is because they incorporate the skills of our engineers and researchers, who number about 45 per cent of Toshiba Corporation's 75,000 employees. Researchers alone account for around 20 per cent of all employees. About 60 per cent of these work in the engineering departments, with the others equally divided among the R&D Centre and the development labs.

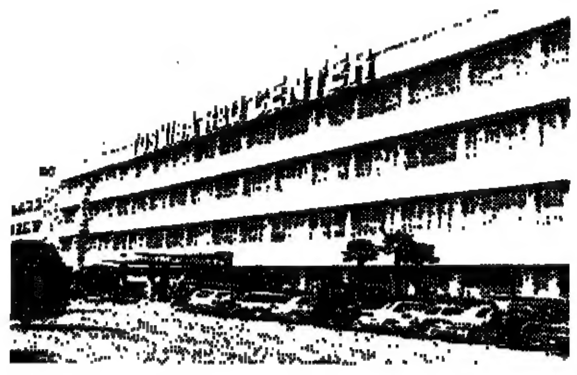
McCulloch: You have an extensive R&D structure in Japan. What about overseas?

Sato: We have four important overseas facilities. In January 1991, we set up the Toshiba Cambridge Research Centre in the UK to carry out basic research in semiconductor physics. Europe has taken the initiative in research in this field. In the US, our Advanced TV Technology Centre, established in May 1990, is working on new TV technologies, including High Definition TV. We also have US R&D facilities for software for information and communications systems and medical equipment.

Working towards a Synergy in Operations—Multimedia Business

McCulloch: Nowadays, we hear a lot about integrating technologies from different fields and about the impact multimedia will have. How is Toshiba responding to this trend?

Sato: Multimedia has become a buzzword



in the computer and consumer product industries. My understanding of the concept is that there are many different media that can carry and present information: video, text, visual images, sound. When they are handled as analog data—the way most media are still configured today—then each medium has its own analog form. That means different kinds of information can't be handled together, in the same way or within the same framework. Now we are seeing a "digital revolution" that will be more or less complete by the beginning of the next century. As with computers, all information sources will be fused in digitalised data and we will be able to process it in one, unified framework. Digitisation removes the differences between media, fusing them into the framework of multimedia. Consequently, more effective use of information will be realised and we expect our creativity to be dramatically enhanced.

McCulloch: So, multimedia means a fusion of the information, communications, audio and visual imaging equipment fields?

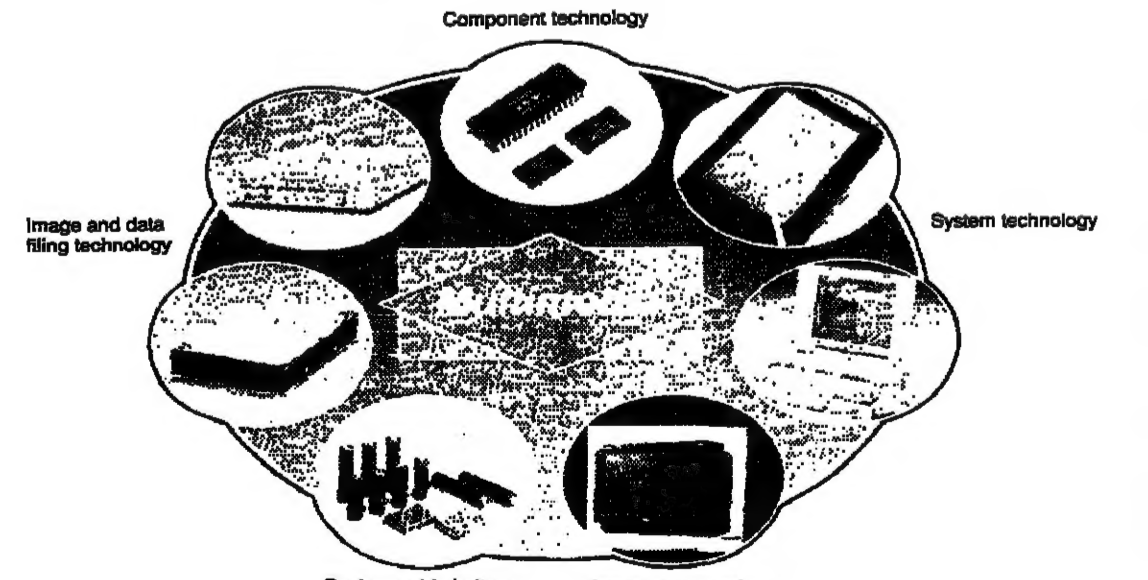
Sato: That is right. And that is why I believe Toshiba is one of the companies best positioned to realise the full potential of multimedia. As a comprehensive electronics maker, we are working towards a synergy in the wide range of products and services we cover in our operations. Electronic components, image compression, image filing and battery technologies are indispensable to multimedia. Toshiba has already made major advances in all these areas.

McCulloch: Can you give me some details?

Sato: As I am sure you know, we play a leading role in the world semiconductor market. We have also pioneered the research, development and commercialisation of liquid crystal displays (LCDs). In image compression, we are working to establish a world standard for a compression format which can send and record images without deterioration. Toshiba is a major player in CD-ROM and optical disks, products that have a central role to play in large volume data storage. In batteries, a joint venture with Asahi Chemical Industry to develop and manufacture lithium-ion rechargeable batteries has just started operation. These are next-generation batteries that are small and light-weight. With Apple Computer of the US, Toshiba is working on CD-ROM based personal multimedia players.

Our efforts are not only tied to hardware. Our limited partnership with Time Warner gives us access to an extensive software library.

Basic Technologies for Multimedia



Directing Resources for Progress towards the 21st Century

McCulloch: My understanding so far is that Toshiba has an extensive R&D operation and is active in a wide range of technologies. Turning to the long-term, which business areas will you focus on for the 21st century?

Sato: We are great believers in the benefits of a highly advanced information society, and we are making every effort to support its realisation. We are investing our resources in information and communication systems, particularly in the areas of broadband communications, high-speed information processing and digital technologies.

Our electronic components business is one that will continue to be central to growth. As one of the world's leading IC manufacturers, we will maintain our competitiveness in the market by providing further high value added products. To take one example, we are working on the process technology for a future generation of 256 megabit DRAMs in a joint development with IBM and Siemens. We are also very active in promoting flash memory technology, through alliances with major companies. This is a very exciting product with a lot of potential, including the eventual replacement of hard disk drives. We are cooperating with IBM Japan in another key area, large-size colour LCD.

In the energy business, we are focusing on fuel cells and combined cycle power generation, which enhances heat efficiency by combining conventional thermal power generation with a gas turbine. These efforts allow us to play an active role in tackling conservation of limited resources and supporting environmental protection.

"E&E" Supports the 21st Century

McCulloch: What kind of integration technologies are necessary for the 21st century?

Sato: I believe that the depletion of resources and the destruction of the environment will be critical problems in the 21st century.

Look at transportation. Every day, countless trucks are on the roads, carrying masses of products, materials and food. They cram the streets, burn non-recoverable fuels, and damage the environment. Ultimately, they hurt economic development and deplete natural resources.

Toshiba is conducting R&D into a new type of transportation system, a super-conducting magnetic levitated train. Here we are able to combine our wide-ranging capabilities in electronics with transportation technology, and develop an answer to our traffic problems. This is exactly the kind of integration made possible by our commitment to "E&E."

I believe that Toshiba has a lot to offer the world, as we cover a wide variety of businesses through Electronics and Energy. We have a huge potential to contribute to the progress of world society. The way I see it, that contribution is Toshiba's mission.

GKN wins Kuwaiti order for armoured vehicles

By Kevin Done and Daniel Green

GKN, the UK engineering group, has been awarded one of its biggest export contracts in a deal to supply more than 200 Warrior armoured fighting vehicles to Kuwait.

Negotiations are continuing between the UK and Kuwaiti governments over the supply by GKN of more than 100 Piranha light armoured vehicles. The total value of the contracts would be more than £500m.

The Warrior vehicles were battle-tested during the Gulf war and are currently being deployed by British Army units serving with United Nations forces in Bosnia.

The vehicles will be assembled by GKN Defence at its plant at Telford, central England, where production is due to begin in late 1994. GKN shares rose yesterday by 4p, to 502½p.

The company said the Kuwaiti contract would secure around 500 jobs at Telford. It will follow completion of the present Ministry of Defence contract for 789 Warrior vehicles, which is due to to be completed towards the end of 1994.

The Desert Warrior, demonstrated in trials in Kuwait in August last year, has a US Delco turret in preference to the gun provided by Royal Ordnance, the subsidiary of British Aerospace, for the British Army vehicle.

GKN said yesterday the "great majority" of components for the Kuwaiti contract would be sourced in the UK, including the Perkins Rolls-Royce V8 Conder engines, which produce 550 bhp and give road speeds of 75 kph.

The Warrior vehicle is designed to allow the infantry to keep pace with main battle tanks. It carries a driver, commander, gunner and seven personnel.

The contract for the Warriors has been reached between the UK and Kuwaiti Governments, and GKN said that its contract with the UK Ministry of Defence would be signed "in the very near future".

The deal follows the signing of an initial memorandum of understanding between London and Kuwait on the provision of defence equipment and related services as part of Kuwait's plans to rebuild its armed forces following the Gulf conflict.

The Ministry of Defence said that it hoped the Warrior contract would be "the first of a number of significant" arms purchases" by Kuwait from the UK.

If the negotiations for the Piranha armoured vehicle are successful, the vehicle would be assembled by GKN under licence from Mowag of Switzerland.

Kuwait is proposing to spend more than $10bn on arms procurement by the end of the decade. But faced with other spending needs, it wants 30 per cent of the value of any defence contract to be reinvested in the country.

The MoD said yesterday that "any such offset deals are a matter for GKN."

The announcement of the contract was a boost for the UK defence industry after a series of disappointments.

In February, France beat the US and Britain in a bid to supply almost 400 battle tanks to the United Arab Emirates in a deal worth about $3.5bn.

Although it has won an order for about 40 tanks from Oman, Vickers is still fighting to secure a much larger order from Saudi Arabia, which is considering a further purchase of 235 tanks in addition to the 465 M1A2s it is due to receive from General Dynamics.

Vickers, which is trying to follow GKN into the Kuwaiti market with its AS90 howitzer, said yesterday that progress towards an order was "slow". Field trials are now unlikely until the summer of 1994.

● Mr Jonathan Aitken, Minister for Defence Procurement, yesterday confirmed the award of a £22m contract to Siemens Plessey Electronic Systems for the development and production of a number of modifications to the Ptarmigan communications system.

Ptarmigan is a mobile, digital trunk communications system developed for use by the Army and RAF.

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Revival of hard Ecu plan tests Tory unity

By David Owen

THE RESURRECTION of prime minister John Major's proposal for a common European currency appeared yesterday to have aggravated tensions over Europe in the ruling Tory party less than a week after foreign office ministers had launched a concerted attempt to damp them down.

The plan to create a parallel common currency - or "hard Ecu" - which would trade alongside Europe's national currencies was dismissed as "pie in the sky" by Mr Michael Spicer, a hardline Tory Eurosceptic.

Mr Spicer said that the objective of a single European currency would become the law of Europe, due to be implemented by January 1 1999, if the Maastricht treaty was ratified by Germany, the one EC country which has not yet done so.

Pro-European Tories were more positive about the revival of Mr Major's proposal, however.

Mr Ray Whitney, another backbencher, said that it was worth "taking down the file marked hard Ecu and looking at it again."

The plan represented a "pragmatic and realistic" approach, he added.

Sir Leon Brittan, the EC vice-president who warned at the weekend that some of Britain's EC partners might try and accelerate progress towards full monetary union, said the hard Ecu was "worth thinking about" among other possibilities.

The Institute of Directors - which last week started the renewed discussion by claiming the hard Ecu was the only option left for business to gain full advantage from the single European market - again entered the fray, criticising Sir Edward Heath, the former prime minister, for "suggesting that business wants a European single currency rather than a common currency".

Mr Peter Morgan, IoD director-general, said Mr Major was "listening to business" in reopening the hard Ecu issue. Sir Edward's "dream" of a single currency and full monetary union was not "within the realm of practical economics this century".

For the opposition Labour party, Mr Nick Brown, a frontbench Treasury spokesman, said the hard Ecu was "a non-starter." The proposition would be "laughed at by those with a serious knowledge of the topic and not understood by anyone else".

Hill Samuel to advise on funding Channel rail link

By John Authers

HILL SAMUEL, the UK merchant bank, has been appointed to advise the government on attracting private sector funds for the £2.5bn Channel tunnel rail link between Britain and France.

According to the Department of Transport, which announced the move yesterday, the decision was not because of government dissatisfaction with Samuel Montagu, the former advisers, but was prompted by a revision of how the rail link could proceed as a joint project with private companies.

The department said that it was happy with the work completed by Samuel Montagu. An official added: "Because our concept of the brief had changed, we thought it was only fair to start another tendering process. There is no implied criticism of Samuel Montagu, and the work they have already completed is very much the basis of how we go forward from here."

Mr John MacGregor, the transport secretary, said: "The Rail Link is now moving into a new phase. Public consultations on the route will have finished and it will have been safeguarded for planning purposes by the end of this year."

He added: "The government has committed itself to making a substantial contribution towards the cost of the Rail Link and we want to transfer the project to the private sector as soon as possible, so that it can go forward as a joint venture between the public and private sectors."

Hill Samuel said it was very pleased to be appointed, adding that the project would mainly involve its corporate finance and project work arms. It said it was the biggest public sector project that it has undertaken, although it has previously worked on infrastructure financing in Hungary and Greece.

A large part of Hill Samuel's brief will be "to generate interest in the private sector and go out more proactively", an official said.

Consultation with the private sector began on May 25. It was originally hoped that conclusions on private sector involvement would be reached by the beginning of July.

Private sector interest in the project has come from several companies, including Eurorail, a grouping which includes the General Electric Company, Trafalgar House, the construction, property, shipping and hotel group, and BICC, the engineering company.

● Mr Chris Green, managing director of British Rail's InterCity subsidiary, is to become director of ScotRail next year, as a preliminary to leading a bid by ScotRail's management to win the franchise for Scotland's rail services.

Dexter bowled out by test failure

England's miserable season has claimed another victim, writes Peter Berlin

England players celebrate a wicket at Edgbaston, where Ted Dexter announced his resignation

TED Dexter, chairman of the England cricket selectors, fell on his bat yesterday. While his team stumbled to yet another defeat against Australia, Mr Dexter did the honourable thing and resigned.

England's failure means it is losing 4-0 in the six-match Ashes series and has lost nine of its last 10 tests. Overall, under Mr Dexter, England has played 44 tests, won nine, lost 21 and drawn 14.

Can a change of management improve England's results?

As it struggles to repair the damage, management experts are offering advice. "If the English cricket team were a business, it would have a three to five year corporate plan. It would mean short term pain - but that couldn't be more painful than being 4-0 down against Australia," said Mr Paul Buchanan-Barrow of headhunters Korn/Ferry.

The first step, the experts claim is to get the right person at the top. Mr Edgar Wille of Ashridge Management College says Mr Dexter's replacement needs to have 10 management "competencies". He needs the social skills of team-building, networking, listening and empathy. He needs to take risks and view the world from new perspectives.

Cricket fans, administrators and journalists have grown increasingly exasperated with the performance of the England team under Mr Dexter, who will select the team for the final test of the current series before stepping down on August 31.

Last week Mr Chris Middleton, chairman of Derbyshire cricket club, wrote to the other 17 first-class counties urging them to exert pressure on Mr Dexter to resign. They have got their way and next week's meeting of the TCCB, the English games governing body, will now discuss a successor.

Things began to go wrong for Mr Dexter last summer when England lost to Pakistan. This began a run of nine losses out of 10 tests.

England's oldest adversary has proved Mr Dexter's final undoing. Of his 21 defeats 11 have been against Australia.

England's dire performances have been accompanied by the sound of Australian jeering. Mr Rodney Marsh, the former test wicket-keeper, said England's bowler's were "pie throwers" and that England was so inept it should only be granted a three-match series next time it visited Australia.

By that time, Mr Dexter's reign, characterised by an air of old-fashioned English amateurishness and smugness, will be over. The new chairman of selectors will be expected to take a keener interest than his predecessor who this summer, while his team was losing the decisive Headingley test, was concentrating on another sport - golf.

Businesses face up to the ERM's 15% solution

Tracy Corrigan and Charles Batchelor on how smaller companies are coping with the wider bands

Managing foreign exchange risk "has become more complicated, more time-consuming and the costs have gone up. It diverts valuable time from doing deals".

This litany of complaints about the effective collapse of the European exchange rate mechanism comes from Mr Rusi Kathoke, finance director of British Technology Group, a company with annual turnover of £27m ($40m) which licenses technology around the world.

But it could have come from any of the thousands of small and medium-sized British companies coping with the new currency regime.

Even after sterling left the ERM last September, BTG was able to balance assets and liabilities against each other among the remaining ERM countries because their currencies moved in narrow bands.

Now the bands have been widened to a point where they effectively do not exist, BTG must match assets and liabilities on a country by country basis. This involves it in much more work, because 85 per cent of BTG's revenues come from outside the UK, including 25 per cent from other European Community countries.

Smaller companies are not alone in suffering from currency uncertainty, but they are less likely than large ones to have the staff and the expertise to deal with it. They are also more likely to trade only within Europe, and therefore to have relied on the ERM to protect them from currency volatility.

"Larger companies have been hedging currencies for some while," according to Mr Robert Mapstone, a derivatives specialist at NatWest Capital Markets. However, the surge of volatility in the currency markets last summer, culminating in sterling's departure from the ERM in September, sparked a fresh wave of interest in hedging foreign exchange risk.

Some companies only use forward foreign exchange contracts, which involve buying a currency at a set rate in advance, rather than options, which give the holder an option to buy a currency at a set rate at a set time, because some firms consider forward contracts cheaper, and sometimes less risky. But unlike forward contracts, buying an option does not lock a company into a potentially unfavourable exchange rate.

Even companies which in the past have steered clear of the derivatives market, perhaps because they feared repeating the experience of Allied Lyons, which two years ago lost £150m from writing currency options, now find hedging a necessity rather than a choice.

Companies are taking what Mr Christopher Taylor, head of foreign exchange and money markets at Barclays, sees as "a more enlightened approach" to derivative instruments.

But he says that it is not only large companies which are active in hedging exposure: "In many cases it's the small- to medium-sized companies which have been more active because they have shorter management chains: one of the barriers in larger companies is the need for senior management approval."

Designers Guild, a west London designer and manufacturer of fabrics and wallpapers, recently decided to take out forward contracts to cover 60 per cent of its foreign currency exposure. "I wish now I had taken out 100 per cent cover," comments Mr Mark Naughton-Rumbo, financial controller.

It has also been forced to allocate a staff member to compile a daily report on the company's foreign exchange exposure. "The foreign exchange position can change overnight," says Mr Naughton-Rumbo. "We could not afford to take a £50,000 foreign currency loss." The company exports more than 60 per cent of its £18m annual turnover.

But the most damaging impact of the recent foreign exchange volatility has been to business confidence. "The level of uncertainty won't help us out of the recession," says Mr Naughton-Rumbo.

Suppliers of machinery and other capital equipment, with long lead times between the order and delivery, face particular difficulties. "How can I quote a price to a customer in France when it takes two to three months until delivery?" asks Mr Fred Marshall, managing director of Speedex (Engineering), a Bradford-based manufacturer of plastics extrusion machinery with annual sales of nearly £3m.

"When I talk to my customers it is not about the technicalities of our machines but about currencies. I can't understand the sense of allowing gamblers, people who don't manufacture, to dictate what a currency is worth. The ideal would be for one currency."

Britain in brief

Qatar rejects award to Westland

Qatar is to contest a ruling by a Geneva-based arbitration tribunal that it and two other Arab governments owe Westland, the British helicopter group, £385m ($574m) in a breach of contract action.

Westland's action against Qatar, Saudi Arabia and the United Arab Emirates, along with the Arab Organisation for Industrialisation and the Arab British Helicopter Company, concerns the collapse of an Egyptian-based helicopter manufacturing project, which was launched in 1978 and involved setting up manufacturing facilities in Egypt.

The project foundered, however, after the 1979 Israeli-Egyptian peace treaty and Egypt's ostracism by other Arab states, leaving Westland stranded after investing in the facility.

VSEL bids for rival's work

VSEL, the Barrow-in-Furness naval shipbuilder, has offered to take over the management of shipbuilding at its troubled Tyneside rival Swan Hunter.

VSEL, which in May won a competition against Swan Hunter to build a helicopter carrier for the Ministry of Defence, wants to complete Swans' work on three Type 23 Navy frigates. Swan Hunter went into receivership in May after it lost the helicopter carrier contract.

Officials could win 3.5% rise

Top government officials could win pay increases this year averaging 3.5 per cent - more than double the government's 1.5 per cent public sector pay limit - under a performance pay arrangement offered by the Treasury. The offer is similar to the deal agreed earlier this year with more than 100,000 white-collar government officials.

First lawyers for takeovers

City of London solicitors firm Slaughter and May was the leading legal adviser to companies and financial advisers involved in public takeovers in the first six months of 1993.

The firm was involved in seven deals worth £654m ($974m), according to a league table produced by Acquisitions Monthly magazine which ranks lawyers by value of the takeovers in which they acted as advisers.

Licensing laws attacked

The Consumers' Association is urging the government to abolish the present liquor licensing system, which, it says, represents the single most effective barrier to entrants to the retail beer market.

The association also supports greater relaxation of opening hours.

TECHNOLOGY

Microsoft is giving mixed signals about its future prospects, writes Louise Kehoe

Bruised but not beaten

For Microsoft chairman Bill Gates, these are trying times. His company is under scrutiny for alleged anti-trust violations; Wall Street has soured on the stock; and after 18 years of spectacular growth Microsoft is planning for a "bumpy" year ahead. Could Microsoft have lost the golden touch that has enabled it to become the largest software company in the world, made Gates, 37, the richest man in the US and created hundreds of millionaires among its employees?

This is the sort of question that irritates Gates. From his perspective, Microsoft's achievements to date have nothing to do with a Midas charm, rather they reflect hard work and perseverance, long-term vision and commitment.

He has no patience with "simplistic analysis" that assumes Microsoft will inevitably be successful in anything the company turns its hand to. Or, as is now the case, that short-term expectations for slower growth may signal that Microsoft's glory days are coming to a close.

Indeed, predicting the outlook for Microsoft is complicated by numerous issues. Not the least of these is whether Microsoft will face an anti-trust suit. The US Justice Department is currently reviewing documents from a three-and-a-half year investigation conducted by the US Federal Trade Commission.

Other problems for Microsoft include a downward trend in software prices and a weak market environment in Europe, one of its largest markets. With no big operating system software product introductions planned for the next 12 months, Microsoft also faces an unusual dry spell. Revenues from the company's core business – software for office PCs – may grow less rapidly than in the past.

Yet the company is driving ahead with ambitious plans to enter new markets such as programs for hand-held "personal digital assistants," software for children, multimedia products and software for the "digital highways" of the future.

Microsoft is also developing two new generations of personal computer operating systems, one for desktop PCs, codenamed Chicago, and a second, called Cairo, for computer networks (see below).

But torn between blowing Microsoft's trumpet, to impress customers and investors, or highlighting its vulnerabilities, to appease Washington regulators, Gates and other Microsoft executives are delivering a mixed message about the company's future prospects.

"In looking at this industry and Microsoft's role in it, I am very optimistic," Gates says. "We are investing in a very optimistic way."

In the next breath, however, he is urging caution. "A number of these investments may take a long time to pay off," he says. "If these new things kick in, then we will go back to higher growth. If we're wrong, then we won't ever advance beyond the level we are at today."

Microsoft's propensity to point out the risks associated with entering new markets, and that even its new PC software products could "bomb", has contributed to Wall Street's uncertainties.

"That tone of conservatism is part of our culture. We expect good results, but prefer them to come as surprises," Gates says. Yet veteran Microsoft watchers believe that the company's recent emphasis on potential problems is at least in part aimed at the ears of anti-trust regulators in Washington DC.

For example, Microsoft is at pains to point out that it does have competitors. Executives even highlighted rival products in a presentation to financial analysts less than two weeks ago. And in an attempt to win political support, Gates reels off the benefits which the PC industry has provided to the US economy, such as growth in exports and the creation of jobs.

"Today's software business is thriving, and it is not just Microsoft," says Gates. "There are 750 software companies in the state of Washington alone and the majority of them write software [applications programs] for Microsoft Windows. Net employment went up by more than the size of Microsoft just in the last year...the incredible thing is how well the US has done in this business." The Clinton administration would be foolish to do anything that threatened the future of Microsoft, Gates seems to be implying.

Politics aside, the greatest challenges facing Microsoft lie in the development of a series of groundbreaking technologies. Gates is placing a big bet on software for "digital highways" – which could deliver multimedia information services to millions of businesses and homes.

His goal is to establish a software standard for the way people use information services, whether they be entertainment services on interactive television, public information services at a kiosk in a shopping centre or business information services in the office.

Partnerships – with cable television companies, telephone companies and companies in the entertainment field – will be an important aspect of Microsoft's involvement in digital highways. While denying reports that Microsoft has already struck a deal, Gates acknowledges that Microsoft is talking to US West as well as other US telephone companies, and TCI and Time Warner, the two largest US cable television companies. The gold rush surrounding "digital convergence" also has movie moguls, newspaper companies, AT&T and IBM knocking on his door, Gates says.

"You will see us enter into all sorts of partnerships." Some will merely be agreements to collaborate in trials of interactive television service. Others may be "hard-core joint ventures". Microsoft also plans to make minority equity investments in companies involved in digital highways.

"I am not aware of any other company that is making the kind of bet that we are on digital information highways," Gates says. The company will spend "many tens of millions of dollars" developing the technology, and "won't get any revenue for at least three years. And it could all be wasted, but that is the name of the game".

The "game" of spotting new technology directions and turning them into business opportunities is one at which Gates is a master and with \$2bn (£1.3bn) in cash resources, Microsoft can even afford to lose a few rounds.

Trying times: an optimistic, yet cautious approach from Bill Gates

Microsoft polishes its 'Windows'

A number of enhancements to "Windows", Microsoft's best-selling PC operating environment, are on the horizon.

● The next technology will be Object Linking and Embedding (OLE) Version 2 – which will be shipped in the coming months as part of products such as Microsoft Publisher.

The idea behind OLE is that all types of information can be treated as "objects" that can be copied, moved or manipulated within any Windows application program. Object types include text, graphics, animation sequences, short film clips, voice messages and spreadsheet models.

OLE will provide flexibility to PC users who are familiar with the options on all of the applications programs at their disposal. Yet it threatens to plunge less-experienced users into unfamiliar territory without obvious means of escape, creating potential support problems.

● Merging MS-Dos and Windows as a single PC operating system will result in a program called Chicago. It will feature "pre-emptive multitasking" meaning that several functions can be carried out simultaneously.

Microsoft is pinning a great deal of hope on Chicago, which is scheduled for introduction in about 12 months. "Chicago will be the most popular systems update we have ever put out," Bill Gates, Microsoft chairman, said.

By the time Chicago is shipped, Microsoft expects that there will be 50m copies of Windows sold – and Gates says that if Chicago does not generate at least \$500m (£338m) in sales during its first year he will be disappointed.

● Due in about 18 months, Cairo is the ultimate version of Windows. It will "learn" how each user works, enabling them to customise the way they organise and find information on their computer.

Geof Wheelwright

Technically Speaking

That 'vision thing' again

By Louise Kehoe

WHO needs technology "vision"? Certainly not International Business Machines, according to Lou Gerstner, the computer giant's tough new chairman and chief executive.

"The last thing IBM needs is vision," he declared last month, in a statement that is stirring widespread debate throughout the computer industry.

The "vision thing" is a hot topic among those who like to wax lyrical about their views on the path that technology developments will take in coming years: "information highways" and "industry convergence" are their favourite topics. All seem to see their companies playing a critical role as these visions unfold.

Yet apart from drumming up enthusiasm for technology in general, is there any value to this star gazing?

Bill Gates, chairman of Microsoft, founded his company on a "vision" of how microprocessor chips would put "a personal computer on every desk and in every home," and the opportunities that this would create for selling software programs.

"Paul Allen [Microsoft co-founder] and I wrote that down on day one," Gates recalls. Eighteen years, and several billions of revenue dollars, later Gates still sets aside a few "think weeks" each year to "figure out trends that are going to affect us and what we ought to be doing about them. It is something you have to give a lot of thought to."

What does Gates make of Gerstner's apparent disdain for vision? "It depends what you mean by vision," he responds. "In the broad sense, it is not sufficient or necessary. But having a technology strategy, figuring out the industry direction, the factors that are influencing the business and the synergies between them is very important."

According to Mike Maples, Microsoft executive vice-president: "Vision is knowing where to go". Picking the technologies that are going to be important and then being willing to invest in them is a key ingredient of industry leadership, he maintains.

Vision can, however, be blinding. In the past, IBM was prone to seeing the information industry through Big Blue-tinted glasses. Hence, the company mapped out a grand strategy called SAA that pulled all the disparate pieces of its technology together, but failed to recognise that the market was taking a different path defined by industry standards.

Lew Platt, Hewlett-Packard chief executive, takes a more pragmatic approach to "vision". "While we're excited about our vision of the future and how HP can participate in its creation, we don't intend to get blinded by 'the vision thing'," he recently told customers. "Computer makers must keep sight of a 'basic truth'. We build things customers want. They are the architects of our vision."

However, customers with a vested interest in today's technology are not always the best seers. Users of H-P computers no doubt foresee a great future for Unix, but it is a fair bet that buyers of Microsoft's programs look forward to new versions of Windows. Similarly, users of IBM mainframes are unlikely to tell the company to get out of that business.

Too much vision can also be a dangerous thing, as Apple Computer has discovered. While putting its energies into long-term innovative projects, such as Newton, Apple has failed to maintain the momentum of its core Macintosh personal computer business. Computer companies cannot afford to become so excited about the future that they lose focus on near-term issues and priorities.

Many high-technology visions also turn out to be pipe dreams. Steve Jobs's Next Computer, which he had hoped to build into a computer company repeating his success at Apple, is one of the most celebrated examples.

Indeed, there are many reasons to avoid technology vision. It can be blinding, expensive, misleading and fleeting. Yet companies without it must inevitably rely upon the foresight of others, becoming technology followers rather than leaders.

MANAGEMENT: THE GROWING BUSINESS

—In a— Nutshell

Loans linked to business advice

The government is expected shortly to announce plans for a pilot programme linking the loan guarantee scheme to business advice and counselling provided by local Training and Enterprise Councils.

Managers and business owners seeking a loan will be invited to take some form of business training. The loan guarantee scheme guarantees 85 per cent of bank loans to businesses which lack a track record or the security normally required.

The pilot programme will allow the government to discover whether companies which elect to take advice perform better than those which do not. If they do, linking loans to training could be a means of reducing losses from the scheme.

Making a break to East Asia

A business centre to help local companies break into export markets in the Far East and Asia has been launched by Rochdale Training and Enterprise Council.

The Trading and Training Services Centre offers help with marketing and sales in areas such as China, Japan, Taiwan and Korea. It provides assistance with translations, market research, joint ventures and information on legislation, duties and tariffs.

The centre recently helped local businesses establish links with a visiting trade delegation from Malaysia.

Contact Philomena Lee-Yeun Chen. Rochdale TEC, St James Place, 160-162 Yorkshire Street, Rochdale, Lancashire, OL16 2DL. Tel 0706 44909.

A helping hand with R&D funding

Research and development is expensive but vital for the growing business. Help in funding R&D is available from a wide range of European Community initiatives, although companies often do not know where to look.

A new guide to EC research and development programmes has now been produced by the Department of Trade and Industry. It provides details of a host of programmes, help in applying for funding and points of contact.

From Research and Technology Policy Division, DTI, 151 Buckingham Palace Road, London SW1W 9SS. Tel 071 215 5000. Free.

Caught in the dreaded rent trap

A quarter of a million small firms which lease or rent business premises are locked into upward-only rent agreements, according to the latest NatWest/Small Business Research Trust survey*.

Of these, half have three or more years remaining on their lease before they can surrender it or leave without sub-letting. As interest rates, inflation and rents come down small businesses trapped in agreements which do not permit reductions in rent levels are at a big disadvantage, NatWest said.

Rent accounts for an average 5.5 per cent of the sales of small businesses while business rates account for a further 2.3 per cent.

**From School of Management, Open University, Walton Hall, Milton Keynes, MK7 6AA. Tel. 0908 655831. £15 a quarter or £45 annual subscription.*

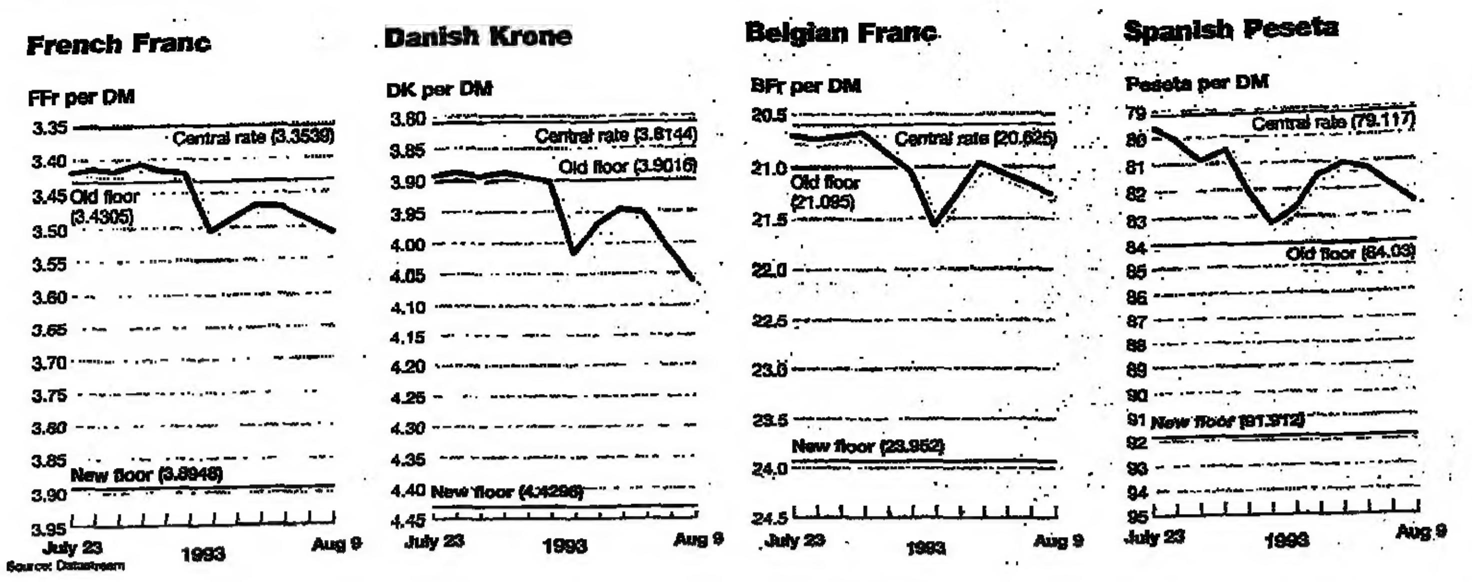
Weighed down by maternity benefits

The Federation of Small Businesses, the largest UK small firms lobby group with 58,000 members, has reacted angrily to government suggestions that responsibility for paying state maternity benefits should be transferred to employers.

At present employers can reclaim in full from the Department of Social Security the cost of paying maternity benefits, but the federation fears the government may seek to make employers responsible for part of the cost. In 1991 employers were made responsible for paying 20 per cent of statutory sick pay benefits.

Reduction or abolition of the right to reclaim maternity payments could lead to the closure of small businesses, the federation said.

Simply administering various state benefits places a heavy burden on small firms, it commented.



Source: Datastream

Back on the rollercoaster

Charles Batchelor answers questions arising from the ERM's downfall

British and Italian companies have had 10 months to become used to more widely fluctuating currencies since their countries' enforced departure from the European exchange rate mechanism last September.

The effective dismantling of the ERM on August 2 has meant companies throughout Europe must now cope with greater currency volatility.

What action should I take to minimise foreign currency risks?

You must take more care in managing your income and expenditure from activities in the ERM countries. Previously companies could be relaxed about surpluses or deficits emerging in their cash flows within Europe. The narrow fluctuation bands between the different currencies meant companies could usually ignore any exposure which occurred between them.

But now that most of the European currencies can fluctuate quite widely against others, companies must consider hedging their exposures in individual currencies. A surplus in D-Marks can no longer be offset by a deficit in French francs. The D-Mark and the Dutch guilder are retaining their narrow bands but these are the only two currencies which you can now set off against each other.

Similarly, if you borrowed D-Marks, for example, to finance export business on the assumption that the German currency would not fluctuate much against the other currencies, you must now take into account the risk of greater volatility.

Is that all?

No. If you are an exporter to, say, Germany or the Netherlands and you have competitors based in, for example, France, a decline of the French franc will give them an advantage in the German or Dutch markets. You may need to think about marketing and pricing issues.

You must also take into account the effect of possible interest rate cuts in continental Europe. If countries which were previously obliged to maintain high interest rates to keep their currencies within the tight ERM bands start cutting their rates, your competitors will have access to cheaper finance. You could switch your borrowings into the same currency but this may not always be convenient.

Since I am not involved in exports, can I ignore the possibility of larger currency movements?

It is a common misconception that dealing only in your domestic market means you are not exposed to foreign currency risk. You may be exposed to currency-related developments elsewhere. If a competitor who sells into your home market buys his raw materials from suppliers in a country with a currency which has weakened against your currency then that competitor will enjoy a cost advantage.

I do not believe that even the experts can forecast foreign exchange market fluctuations, so hedging is a complete waste of time. I might as well let the pluses and the minuses even themselves out. Is this true?

No. Just because swings in exchange rates are large and unpredictable, that does not mean you should ignore them in the hope that they will cancel each other out. To hedge currency flows may not result in higher profits overall, but it does at least cut down on uncertainty. In the very long term, movements in exchange rates may follow the real economy, although the timing and the extent of the movements are so uncertain that companies punt on exchange rate fluctuations at their peril.

I both sell my products and buy raw materials throughout Europe. Does the ERM break-up mean I must increase my hedging and, as a result, my financing costs?

Not necessarily. You may have a natural hedge if you have assets and liabilities in the same currency which can be matched. You may be able to match overseas borrowings with revenue flows or set raw materials purchases against sales in the same country. The advantage of a natural hedge is that it is cost-free and simple to manage.

Does this mean that I should take out cover for every transaction which does not have a natural hedge?

Again, not necessarily. You must consider if the exposure is sufficient to warrant taking out cover. Sensible companies hedge selectively.

Hedging everything in sight can sometimes be a disadvantage. If, for example, a British company bought foreign currency forward to hedge the value of a shipment from, say, France and the franc fell against sterling you would be locked into the earlier, disadvantageous exchange rate. Competitors who had not hedged could take advantage of the lower rate. This emphasises the need for a selective approach to currency hedging.

I find foreign exchange market jargon confusing. I have heard of currency forward contacts, swaps and options. What is the difference?

A forward contract allows a company to "fix" an exchange rate until payment is made months or even two or more years later. A drawback is that you will have to accept or supply the currency involved when the contract matures, even if the delivery did not go ahead.

Option forward contracts are similar but allow a range of settlement dates rather than a single date. This gives flexibility but does cost more.

Currency swaps allow a company to swap its debts through a bank with another company so that both sides obtain a debt in their desired currency. The swap arrangement sets the rate at which the currencies will be exchanged at a date in the future.

Currency options give you the right to buy or sell the agreed amount of currency at a future date. But unlike forward contracts there is no obligation to complete the deal and if a sale falls through or the currencies do not move as expected you can simply let the option lapse.

Watch those freebies

Many companies are offering unnecessary discounts in a misguided attempt to increase sales and may be needlessly sacrificing a large share of their profits. This is the finding of a survey* carried out by Winkler Marketing, a consultancy.

Most of the time companies do not know how much money they are giving away in discounts or even which members of staff are doing the most damage to profits.

"When companies run checks on who gives the money away they are often astonished by how many staff, particularly junior staff, are involved and disbelieve their own figures when they see how much money is involved," comments John Winkler, managing director.

Small companies, in particular, allow themselves to be browbeaten into offering discounts for fear of losing a customer. Large companies are less likely to give in to pressure for discounts but are most likely to demand it from their own suppliers.

A survey of more than 500 managers showed that companies could increase their sales by an average of 16 per cent if they insisted on sticking to their published price list. Since most companies make a net profit of between 6 and 10 per cent they may be giving away between two and three times their profits in special deals, Winkler calculates.

Financial controllers should take a sample of invoices and analyse any discounts, rebates and special prices including any advertising or promotion allowances, the survey suggests. The analysis should reveal which products are most frequently discounted, which sales executive is involved and who the customers are.

A handful of deals should be looked at in depth to compare delivery notes with orders and invoices. Sometimes free goods and extras are not recorded on the invoice though they have been delivered. Free services such as delivery, drawings and technical support should also be taken into account, the survey notes.

CB

**How Much Does Unnecessary Discounting Cost British Industry? Winkler International, 6 St George's Place, Brighton, East Sussex, BN1 4GA. £1 to cover p&p.*

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The Joint Administrative Receivers, H.C. Brunt and P.M. Lyon, offer for sale the businesses and assets of Mundiall Group of Companies.

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- Yard and parking facilities, excellent access to M6
- Supplier of low density insulating materials
- Annual T/O £2m (now ceased trading)

Trifab Limited

- Manufacturer of high density high temperature insulation materials, including asbestos based products
- Freehold property of 7,200 square feet at Southport, Merseyside
- Total site area 0.6 acre
- Annual turnover in excess of £500,000

UPVC Structures Limited

- High quality double glazing manufacturer
- Modern equipment
- Computerised design and production control
- Annual turnover of approximately £1 million
- Blue chip customers

Filtermax Limited

- Manufacturer and supplier of air filters to the air conditioning industry
- Leasehold premises
- Good customer base
- Turnover of approximately £10,000 per month

For further details, please contact Hedley Brunt or Garth Hoskins of:-

Kidsons Impey
Chartered Accountants
Bank House
8 Cherry Street
Birmingham B2 5AD

Tel: 021 631 2631
Fax: 021 631 2632

KIDSONS IMPEY Chartered Accountants

DUNKELD GROUP PLC

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SWIMWEAR DIVISION
Neal & Cooper Limited
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Designs and manufactures own label and branded ladies swimwear for high street and mail order retailers.
Principal features include:

- Largest producer of ladies swimwear in the U.K. accounting for 18% of the market.
- Customers include major department stores, high street multiples and independent retailers.
- Brand name 'Slix'.
- Freehold property on the North Circular Road, London.
- Manufactures own knitted material.
- Skilled workforce of 170.
- Audited annual turnover for the year to November 1992 £5.2 million, forecast for the year to November 1993 £6.2 million.

For further information pleasecontact, please contact the Joint Administrative Receivers; Phillip Sykes and John Hill, BDO Binder Hamlyn, 20 Old Bailey, London EC4M 7BH
Tel: 071 489 6193
Fax: 071 489 6295

SHIRT DIVISION
Ben Sherman (Manufacturing) Ltd.
The Branded Shirt Company Ltd.
(Both In Administrative Receivership)
London and Northern Ireland

Manufactures and imports shirts for workwear and branded sectors.
Principal features include:

- One of the four largest suppliers of men's shirts to the U.K. market.
- U.K. customers include major retailers for branded products and major employers for workwear.
- Brand names include, 'Ben Sherman', 'Tern', 'Pierre Balmain', 'Inigo Jones' and 'Panache'.
- Freehold properties in Lurgan and Londonderry.
- Skilled workforce of 300.
- Audited annual turnover for the year to November 1992 £10.5 million, forecast for the year to November 1993 £12.5 million.

For further information please contact the Joint Administrative Receiver, Eric Bell, BDO Binder Hamlyn, 12 Malone Road, Belfast BT9 5BP Northern Ireland.
Tel: 0232 381900
Fax: 0232 661772

Chartered Accountants

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COPIER DEALERS

Substantial independent Profitable office equipment company wants to buy copier dealers.

Particularly interested in Ricoh manufactured copiers but others considered.

Good quality dealerships only. Size not important.

Write in complete confidence to Box B1410, Financial Times, One Southwark Bridge, London SE1 9HL.

PRINCIPALS ONLY.

FOR SALE

First Division Football League Club
Freehold Stadium
Serious parties only, c£5m

Write to Box B1327, Financial Times, One Southwark Bridge, London SE1 9HL

Aluminium Teknek Ltd

(In Receivership)

Ellesmere Port, Merseyside

The company manufactures and installs architectural aluminium products and curtain walling. The business is now offered for sale as a going concern.

- Annual turnover £4.5 million
- Ongoing contracts
- Freehold property approximately 35,000 sq. ft. – site of 1.69 acres
- Skilled workforce with in-house technical and contracting capability
- Order book of c£3 million

For further details contact the Joint Administrative Receivers: Malcolm Shierson or David Rowlands, Grant Thornton, Heron House, Albert Square, Manchester M2 5HD.
Tel: 061 834 5414. Fax: 061 832 6042.

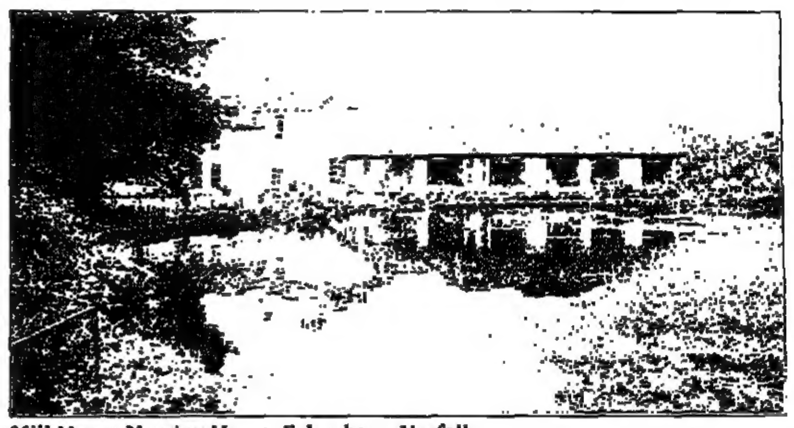
Grant Thornton

The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

On the Instructions of Country Care Homes Ltd

Country Care Homes

11 Nursing and Rest Homes predominantly in the North



Mill House Nursing Home, Fakenham, Norfolk

Opportunity to acquire as a group
Asking Price Offers in excess of £7,540,000 Freehold.
Also available individually

For further details and an appointment to view please contact:
Thalia Turner, Christie & Co. Manchester Office
061 833 3311

CHRISTIE & Co
CORPORATE DIVISION

SCOTTISH KNITWEAR MANUFACTURER FOR SALE

- Turnover circa £2.5m
- Attractive customer base including export
- Skilled workforce
- Good current order book
- Electronic knitting machinery
- Land and buildings

Principals only:
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Manchester Brick Services Ltd.

(In Administrative Receivership)

R E C Cook and L Hornan the Joint Administrative Receivers, offer for sale as a whole or in part the specialist brick business and assets of the above Company comprising:

- ★ 17,000 sq. ft. Leasehold premises - Stockport.
- ★ Blue chip customer base.
- ★ Substantial order book.
- ★ Specialised Brick cutting and bonding equipment

For further particulars, contact either Edward Cook or Nick Hancock

Hacker Young and Partners, Chartered Accountants, St James Building, 79 Oxford Street, Manchester M1 6HT
Tel 061 - 236 6936 Fax 061 - 228 0117

BUSINESS FOR SALE

Profitable wholesale petfood/animal feeds distributor established since 1970 in the South of England and operating from own independent 3 acre freehold storage depot - capable of receiving container lorries - own HGV fleet seeks outright sale. Annual T/O £4½ million with sole proprietor offering transitional services for agreed period. Good potential and ideal opportunity for diversification or allied business using base/storage and efficient distribution facilities. Audited accounts available.

Write Box B1400, Financial Times, One Southwark Bridge, London SE1 9HL

Software Designers

The Joint Administrative Receivers Edward Head and Eddie Blackwell offer for sale the business and assets of this company which designs specialist software.

- Innovative product suitable for commodity brokerage
- Turnover £572,000 per management accounts to April 1993.
- Suite of other integrated software products.
- Presently located at leasehold premises in Hampshire

For further information please contact Eddie Blackwell or David Clements, Stoy Hayward, 74 South Street, Reading, Berkshire RG1 4RA.
Tel: 0734 585466 Fax: 0734 567782.
Ref: DC/SS.

STOY HAYWARD Horwath

Accountants and Business Advisers A member of Horwath International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

PROFITABLE CAR REPAIR BUSINESS FOR SALE

Approx 4,000 Sq. ft. workshops on 1 acre prime site immediately adjacent mainline BR station in Surrey.

Full car repair facilities including spray painting and while-you-wait MOT

New 20 year lease available with planning permission for showrooms and car sales. Sale due to retirement.

Apply:
Dauman and Co. (Ref C.W.R.)
9 Station Parade
Ealing Common
London W5 3ED

LEONARD CURTIS

BY ORDER OF THE JOINT ADMINISTRATORS
PHILIP MONJACK FCA & DAVID SWADEN FCA
IN THE MATTER OF

HORNE BROTHERS PLC

Offers are invited for the assets and business of this company.

- The turnover of the business is in excess of £22 million.
- Established national brand name.
- 37 fully equipped retail outlets situated in prime locations.
- Established concessionaire base.

Enquiries should be addressed to Philip Duffy:

Leonard Curtis & Partners Chartered Accountants
Peter House, Oxford Street, Manchester, M1 5AB
Tel: 061 236 1955 Fax: 061 228 1929

CONTRACTS & TENDERS

INVESTORS!

THE NATIONAL INVESTMENT BANK OF JAMAICA
ON BEHALF OF THE GOVERNMENT OF JAMAICA
OFFERS FOR SALE/LEASE
FACTORY RELATED ASSETS AND LANDS OF THE FOLLOWING FOUR SUGAR ESTATES:

SUGAR ESTATES

BERNARD LODGE St. Catherine
FROME Westmoreland
LONG POND Trelawny
MONYMUSK Clarendon

Invitation for Applicants

Applicants are invited to present detailed proposals for:
Factory, related assets and lands identified to be leased along with the factory.
All cane lands will be required to be used specifically for cane cultivation.
Investors MUST obtain a memorandum of sale and review the guidelines before submitting an application.
The information Memoranda will be available for US$300 each upon request at the following location:

The Jamaica Trade Commission
1 Prince Consort Road
London SW7 2BZ
Tel: 071-584 8894 Fax: 071-823 9886

Applicants are invited to submit written proposals by 4.00 pm August 13, 1993
PLEASE NOTE: This is Phase One of the Sugar Privatisation process. An offer on lands only will be mad at a later date.

PRIVATISATION

NATIONAL INVESTMENT BANK OF JAMAICA LTD.

Proposals must be submitted in sealed envelopes and addressed to:
SUGAR PRIVATISATION
Operations Division
National Investment Bank of Jamaica Ltd.
Scotiabank Centre, 9th Floor
Cor. Duke & Port Royal Streets
Kingston, Jamaica

EXTENSION OF REPEAT INVITATION TO TENDER FOR THE HIGHEST BID FOR THE PURCHASE OF THE ASSETS OF VOMVIX, SILK INDUSTRY AND TRADE - P. SVOLOPOULOS & CHR. KOUTROUBIS S.A. of Athens, Greece.

Following Decision No. 341/26.7.93 of the Minister for Industry, Research and Technology, the repeat invitation to tender for the highest bid for the purchase of the assets of VOMVIX, SILK INDUSTRY AND TRADE - P. SVOLOPOULOS & CHR. KOUTROUBIS S.A. as published in the FINANCIAL TIMES and the Greek press on 27th and 28th July 1993 and in the Greek press also on 29th July 1993 is hereby extended. Interested parties are therefore invited to submit binding offers not later than 9th September 1993, at 1100 hours to the Athens Notary Public Mrs Ioanna Gavrielli-Anagnostalaki or to the Athens Notary Public Mr Evangelos Dracopoulos (acting as her substitute) at the following address; 18 Fidiou Street, Athens, Tel. +30-1-361.97.28.

Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in her office on 9th September 1993 at 1400 hours. Any party having duly submitted a binding offer shall be entitled to sign the deed attesting to the unsealing of the offers.

FOR SALE WHOLESALE COMPANY IN SOUTH EAST

Delivering disposable nappies, toiletries, and fancy goods. T/O £300K per month. Huge potential for growth. Operates from own freehold warehouse. Very low overheads.

Owners wish to pursue other business interests. Price for 100% of share capital £100K. Principals only should apply by fax to:

0322 555674

Lake District Hotel for Sale

13 en-suite bedrooms. 50 cover restaurant. Function room for 200. Excellent T/O to year end 31.3.93. £500,000 excluding VAT. Net profit £91,000. £450,000 Freehold.

Tel: 06973 20681

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A Cargo Survey Company for sale. State of the art equipment, international recognition & international clientele in oil & cargo survey, sampling, analyses, quality assurance. For details S Papanicolas. Tel +301-451 7509 +301-4223615 Athens, Greece

B&A MAGAZINE ADVERTISES
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OFFICE EQUIPMENT

SUMMER CLEARANCE

Quality executive leather chairs £150.00 plus huge stocks of bankrupt office furniture at giveaway prices.
Tel: 081 743 2100
Fax: 081 749 9500

LEGAL NOTICES

THE INSOLVENCY ACT 1986
BELLAMAR LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a Meeting of the Creditors of the above-named Company will be held at the offices of Singla & Company, 49 Queen Victoria Street, London EC4N 4SA on 19th August 1993 at 2.30 p.m. for the purposes mentioned in Sections 99 to 101 of the said Act. A list of the names and addresses of the Company's creditors will be available for inspection free of charge at the offices of Singla & Company, 49 Queen Victoria Street, London, EC4N 4SA between 10.00 a.m. and 4.00 p.m. on 17th August 1993 and 18th August 1993. Creditors wishing to vote at the meeting must lodge a full statement of account and an informal proof of debt and unless attending in person a proxy at Singla & Company, 49 Queen Victoria Street London EC4N 4SA no later than 12 noon on 18th August 1993. Secured creditors must, unless they surrender their security, give particulars of their security and its assessed value if they wish to vote at the Meeting.
By Order of the Board
Mr Praful Revashanker Bhatt
Director
29th July 1993

THE INSOLVENCY ACT 1986
BANGSTONE LIMITED t/a MARTIN'S EVOLUTION

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986, that a Meeting of the Creditors of the above-named Company will be held at the offices of Singla & Company, 49 Queen Victoria Street, London, EC4N 4SA on 19th August, 1993 at 3.30 p.m., for the purposes mentioned in Sections 99 to 101 of the said Act.
A list of the names and addresses of the Company's creditors will be available for inspection free of charge at the offices of Singla & Company, 49 Queen Victoria Street, London, EC4N 4SA between 10.00 a.m. and 4.00 p.m. on 17th August 1993 and 18th August 1993. Creditors wishing to vote at the meeting must lodge a full statement of account and an informal proof of debt and unless attending in person a proxy at Singla & Company, 49 Queen Victoria Street, London, EC4N 4SA, no later than 12 noon on 18th August 1993. Secured creditors must, unless they surrender their security, give particulars of their security and its assessed value if they wish to vote at the Meeting.
By Order of the Board
Mr Praful Revashanker Bhatt
Director
29th July 1993

Optical Healthcare

Established in 1985, this successful optical healthcare retail operation has a turnover of c. £3m.

- Over 20 branches nationwide
- Prime locations
- Over 100 employees

For an information brochure please contact Andy Moss, GMBM Advertising & Research, 27 Floral Street, London WC2E 9DP

GMBM Advertising & Research

AMALGAMATED COURIERS LIMITED

(in administration)

The trading style of Amalgamated Couriers Limited (established 1985, Turnover c£350,000) & incorporating "AMCO" plus the goodwill of the business are offered for sale by the Administrator of the Company and such offers should be received no later than 21st August 1993.

By order of:

David Patrick Collings, Administrator, Clark Collins, Insolvency Practitioners, 6/8 Church Street, Edenbridge, Kent TN8 5BD
Tel: 0732 866633

TRAVEL AGENCY

West Sussex Coast
ABTA/IATA
Sales T/O £560,000
Guide price £40-50,000
Contact: W Brennan
Tel: 081 871 2994
Fax: 081 871 9461

Knights & Company

DIGVALE LIMITED AND PRODRIVE GOLF LIMITED

MANUFACTURERS AND DISTRIBUTORS OF PROFESSIONAL GOLF CLUBS AND ACCESSORIES

The Liquidator of the above Companies has for sale the business and assets of a leading and well established manufacturing unit and distributors of Golf Clubs and associated equipment.

- Manufacturing unit in Scotland consisting of leasehold premises of 18,000 sq.ft. together with all equipment necessary for the manufacture of up to one million golf clubs per year.
- Distribution unit in Hampshire consisting of leasehold premises of 3,400 sq.ft. with sales of £1 M p.a. and with a substantial order book.

Offers are invited for the business and assets.

For further details contact the Liquidator:
Barry P. Knights, Albany House, 5 New Street, Salisbury, Wiltshire SP1 2PH. Tel. 0722 330688 Fax. 0722 414546

Compensation limits unlawful

EUROPEAN COURT

UK rules restricting the amount of compensation available to victims of sex discrimination are unlawful, the European Court of Justice ruled last week in the second Marshall case.

Miss Helen Marshall, a dietician, had been dismissed by her employer, the Southampton and South West Hampshire Area Health Authority, on the grounds that she had passed state pension age. In 1986 the European Court ruled that because state pension ages were different for men and women, her dismissal was discriminatory and illegal.

The issue the court had to decide in the second case was the level of compensation to which she was entitled. Under the UK's Sex Discrimination Act, compensation at the time was limited to £6,250. An industrial tribunal assessed Miss Marshall's financial loss at £18,405, including £7,710 in interest. The Area Health Authority paid the capital sum, but appealed against the interest.

The Court first analysed the objective of the sex discrimination provisions in the relevant EC directive. It held that the purpose of the provisions was to put into effect in member states the principle of equal treatment for men and women in employment.

It then reiterated that the particular provision that prohibited sex discrimination was of direct effect, and could be relied on by an individual against a state authority acting as an employer.

As to the provision in the directive that put member states under a duty to take all necessary measures to enable persons who considered themselves wronged by discrimination to pursue their claims before the courts, the Court said that the measures in question had to be such as to guarantee real and effective judicial protection and have a real deterrent effect on the employer.

This meant that the particular circumstances of each breach should be taken into account and, in the event of discriminatory dismissal, a situation of equality could not be restored without either reinstating the victim or, alternatively, granting financial compensation for the loss and damage suffered.

In the light of this, the Court held that fixing an upper limit on compensation breached the provision in the Council directive relating to the member states' obligation to guarantee real and effective judicial protection, because such an action necessarily limited the amount of compensation to a level which might not reflect the actual loss and damage suffered in each case.

The Court also held that interest must be capable of being awarded, as compensation must be full and had to take account of factors, such as the passage of time, which might reduce its value.

Finally, the Court held that the fact that member states were entitled to choose between different solutions to achieve the objective of guaranteeing real and effective judicial protection, did not prevent that provision from being directly effective.

C-271/91: Marshall v Southampton and South West Hampshire Area Health Authority, ECJ FC, August 2 1993

Italian rules on foreign language assistants unlawful

The European Court has ruled that an Italian law restricting contracts for foreign language assistants to renewable one-year periods was contrary to the Rome treaty's provisions on the free movement of workers.

The law in question only applied to foreign language assistants and not to other teachers. The Court found that, although the law applied independently of nationality, it applied essentially to nationals from other member states, as only 25 per cent of all foreign language assistants in Italy were Italian.

It was argued that the rules were necessary to ensure that numbers of assistants matched the annual needs of the universities. The Court held that the EC provisions did not stop member states from adopting indirectly applicable measures aimed at resource management as long as such measures are proportionate.

Joined Cases C-259/91, C-331/91 and C-332/91: Allue and Others v Università degli studi di Venezia, ECJ FC, August 2 1993

BRICK COURT CHAMBERS, BRUSSELS

Trevor Humphries

Sir Gordon Borrie: 'The restrictive trade practices act is not up to the task'

Competition on back burner

The UK cannot afford further delays to reforms, says Robert Rice

Long-awaited reform of the UK's competition laws is looking increasingly unlikely during the next parliamentary session.

The Department of Trade and Industry, which would shepherd such a bill through Parliament, seems to have its hands full with the prime minister's much vaunted deregulation bill to cut red tape, the privatisation of British Coal and reform of trademarks law.

Yet the case for reform of the restrictive trade practices legislation appears to be stronger now than when first promised by the government in 1987. The European Commission is calling on national courts to take over the handling of routine competition cases – a move that would require the convergence of competition rules within Europe as a whole.

A timely reminder of the need for change was given to the UK government last week, when the Institute of Economic Affairs published a series of lectures given last year at the London Business School on the most important issues in regulation, and in particular by the lecture by Sir Gordon Borrie, former director-general of fair trading.

Sir Gordon's starting point was that UK competition law remains unnecessarily complex. There are four basic statutes: the 1971 Fair Trading Act, the 1976 Restrictive Trade Practices Act, the 1976 Resale Prices Act and the 1980 Competition Act, handling mergers, anti-competitive practices and other forms of monopolistic behaviour, cartels and resale price maintenance.

Each of these is dealt with by different procedures involving a combination of four authorities: the director-general of fair trading, the Monopolies and Mergers Commission, the trade and industry secretary and the Restrictive Practices Court.

Only resale price maintenance is automatically prohibited (except in relation to books and pharmaceuticals). Everything else is subject to case-by-case examination, and an anti-competitive practice or situation can only be prohibited or modified if, following investigation, it is found to be against the "public interest".

This "nebulous concept", Sir Gordon said, set the UK's competition laws apart from those of most other countries, including those of the European Community.

To add to the complex mosaic faced by UK industry, EC competition law – article 85 of the Rome treaty dealing with anti-competitive agreements and article 86 dealing with abuse of market power – is directly applicable in the UK when inter-state trade is affected.

Growing levels of international trade and the globalisation of markets mean EC law has an increasing impact in the UK. It also points to the need not only for closer co-operation between competition authorities, but, more importantly, to the need for convergence in national laws and enforcement policies.

Sir Gordon argued that the most obvious and urgent need for reform was in the restrictive trade practices legislation. An effective means of controlling price-fixing cartels and market-sharing agreements, bid rigging and collusive tendering was essential, he said, adding: "Frankly, the restrictive trade practices act is not up to the task."

The defects in the legislation are well known. The act requires parties to any agreement in which two or more of them accept restrictions on their commercial freedom, to provide details of the agreement to the Office of Fair Trading for registration. If they do not, the agreement will be unlawful. But this registration requirement catches a large number of agreements that have no significant effect on competition.

The second weakness is that the OFT has inadequate investigatory powers. When the OFT suspects an unregistered agreement is in operation, all it can do is issue a notice requiring details of any registrable agreements. It has virtually no means of proceeding in the face of denials, even where it continues to have strong suspicions.

The third defect is that the legislation lacks deterrent effect. There are no financial penalties for failure to comply with the registration requirement. Companies operating anti-competitive agreements do face unlimited fines for contempt of court if they break an order of the Restrictive Practices Court, but in practice fines for contempt in cartel cases have been modest.

Having promised reform of the law in its election manifesto six years ago, the government produced a white paper in July 1989 outlining a change in the law.

Anti-competitive agreements and concerted practices would be automatically prohibited unless they met specific criteria for an exemption, with heavy fines of up to 10 per cent of turnover for wilful or flagrant breach of the law. The OFT would be given tough new investigatory powers, including the right to enter premises and search for evidence of a suspected agreement.

The proposals met with widespread approval – even from industry, which saw advantages in the closer alignment of EC and UK law.

But the white paper dealt with only half the problem. As Sir Gordon pointed out, if the OFT was to be given new powers to investigate and tackle restrictive trade agreements, it seemed odd to retain the existing laws and procedures for dealing with abuse by individual companies of their dominance in the marketplace to stifle competition. The problems with the existing law were similar to the defects identified in the restrictive trade practices legislation: weak deterrence, no rights to damages or interim relief and inadequate powers of investigation.

The government appeared to accept this argument and, last November, published a consultation paper on reform of the law on abuse of market power. It canvassed views on three options, two of which involved adopting an EC-style article 86 prohibition on abuse of a dominant position, backed by fines.

In April this year, however, it opted to retain the existing case-by-case approach for tackling anti-competitive practices. The OFT's investigatory powers are to be strengthened, so that it can decide more quickly whether to launch full-scale inquiries.

The government had identified a number of serious defects in UK monopoly controls, and had originally favoured adopting a new system based on article 86 of the Rome treaty while retaining the UK's existing powers to investigate monopolies under the Fair Trading Act. Sir Gordon had also favoured this approach.

Its change of mind was ascribed to pressure from industry which was opposed to the idea of fines for practices such as deliberately pricing goods too cheaply and refusing to supply certain outlets.

As a result, defects in UK competition laws remain and need to be addressed, if the UK is not to find itself increasingly out of step in Europe. The publication of Sir Gordon's views will remind the government that it cannot afford to let things drift.

LEGAL BRIEFS

Record Canadian fine imposed for market-sharing pact

In June, Canadian competition authorities imposed the largest ever fine against a single firm when it fined Chemagro, a subsidiary of Bayer AG, C$2m for two separate market-sharing agreements. As well as confirming the trend in Canada towards increasingly high fines for antitrust conspiracy, the case highlights the importance of Canadian rules against foreign-directed, anti-competitive agreements, and the Canadian competition bureau's whistle-blowing programme.

The first conspiracy involved an unlawful agreement between Bayer and a Japanese company for their Canadian subsidiaries to share the Canadian market for certain chemical insecticides between 1982 and 1988.

The second conspiracy involved a 1990 market-sharing agreement between Chemagro and Abbott Laboratories, which came to light when Abbott voluntarily reported it in return for immunity from prosecution. Chemagro is the first company convicted in Canada of a foreign-directed antitrust conspiracy.

Harassment case

A federal courtroom in Philadelphia has been packed in recent weeks for the hearing of a sexual harassment case involving one of Pittsburgh's top law firms, Reed Smith Shaw & McClay. Ms Kathleen Frederick, a former associate, claims that she was coerced into a sexual relationship with Mr Richard Glanton, one of the firm's senior partners, by promises of partnership, but was fired three months after their alleged affair ended. Mr Glanton, married with a family, is one of Pennsylvania's most prominent black Republicans and was a top lawyer in the administration of former governor, Mr Dick Thornburgh.

PEOPLE

Inspiring fear from the Bank of England

Michael Foot is only 46 yet he has already had 11 jobs in 24 years and is about to become one of the most feared officials in the City when he takes over as head of banking supervision at the Bank of England at the end of the month.

Like many of the Bank of England's high-fliers, Foot (pictured left) started life as an economist. Having graduated from Cambridge with an upper second, he had six years in the Bank followed by a year at Yale. His early career at the Bank included working for Professor Charles Goodhart, when the latter was advising on monetary policy.

A stint as personal assistant to Eddie George, who took over as governor at the end of June, gave the first hint that Foot was destined for high office. It was followed by a series of jobs including being the UK alternate director at the IMF during the Mexican debt crisis and taking over as head of foreign exchange division when sterling was uncapped from the D-Mark. Since September 1990 Foot has headed the Bank's European division and spent much of his time preparing for the financial side of the Maastricht treaty.

However, Foot admits that the challenge of heading the 200-strong bank supervision division is more daunting, especially given the recent criticism of the Bank's role as supervisor of the collapsed Bank of Credit and Commerce International.

Whilst acknowledging his own lack of supervisory experience, he is conscious that the 500 institutions he will be supervising expect one thing above all else, and that is consistent treatment.

As a career Bank of England official, he is also sensitive to criticism that his views might suffer from being too inbred and promises to compensate for this by getting out and about much more.

Foot, who takes over from Roger Barnes, will also have a new deputy, Carol Sergeant, 40, (pictured right) who is also a Cambridge graduate. Since 1990 she has been senior manager for operations and policy in the gilt-edged and money markets division.

Union Discount in search of new lease of life

George Blunden, who took over as chief executive of Union Discount a year ago, is bringing in Ian Martin, formerly of Baring Securities, as his new group managing director.

George Lynn, who is leaving at the end of the year, will also hand over the group finance function to Martin in the next few months.

While Union's recent troubles have largely stemmed from its disastrous expansion into leasing, Blunden stresses that his parting with 38-year-old Lynn is perfectly amicable.

"He is very much a leasing director and he said some time ago he wanted to pursue opportunities elsewhere. But I asked him not to leave while we went through the trails and tribulations of last winter."

Union was in takeover talks from last autumn until the spring when it succeeded in selling Winterflood Securities, which makes markets in smaller companies.

Now Blunden is still eager to retain Lynn's advice as the group unwinds its leasing business over coming months.

Lynn had spent ten years at Union, the last four as finance director and previously worked for Baltic, the leasing group.

Meanwhile Martin, who is a chartered accountant, will be Blunden's "extremely active number two", particularly involved in the evaluation of new business. "I am absolutely useless at accounts" says the one-time SG Warburg bond dealer.

Martin, 41, had been group finance director of County NatWest for two years from 1985 before moving to Baring Securities as chief operating officer responsible for group finance, operations and administration.

He subsequently took charge of the group's derivatives trading, sales and research, an area Union which is itself keen to develop. Martin stepped down when Baring Securities chief Christopher Heath resigned in March.

"Not a bad start for poor old Union Discount" says Blunden who wants to retore the discount house's battered reputation by making it known as "a place where bright people come". Last month the group acquired 51 per cent of risk management consultancy Guildhall, set up by Craig Kersey, the former head of fixed income trading and risk management from Mitsubishi Finance and George Nianias, former head of quantitative fixed income research at SG Warburg.

ICI slims planning

The incredible shrinking headquarters of Imperial Chemical Industries continues to slim with the retirement of Trevor Harrison, general manager of planning, and the decision to abolish his post.

Other general managers' positions have also disappeared in recent months including those of Derek Rushton, in charge of external relations, and Brian Hines, responsible for insurance and investments.

Harrison, a 54 year old chartered accountant, was with ICI 28 years and plans to use his retirement to travel, garden, play squash and improve his golf handicap which he says he has not taken seriously enough in the past.

John Dewhurst, presently acquisitions manager will become group planning and acquisitions manager, heading up the now much smaller planning department. He will report to Colin Short, finance director, who assumes board responsibility for planning and acquisitions.

In a separate move, Chris Hampson, one of the main board directors will take responsibility from next month for the regional businesses. Under him will be Ian Macfarlane, regional executive, who is also taking over as head of regional businesses in south east Asia. Based in London, he is also responsible for Argentina.

As part of the restructuring of the Asian-Pacific organisation, Paul Schindler, chairman ICI China, is moving to Allied Signal, the US company, to become senior vice-president international.

The colourful John Chandler, managing director ICI Taiwan and a fluent Mandarin speaker, takes on Schindler's role, while keeping his former position.

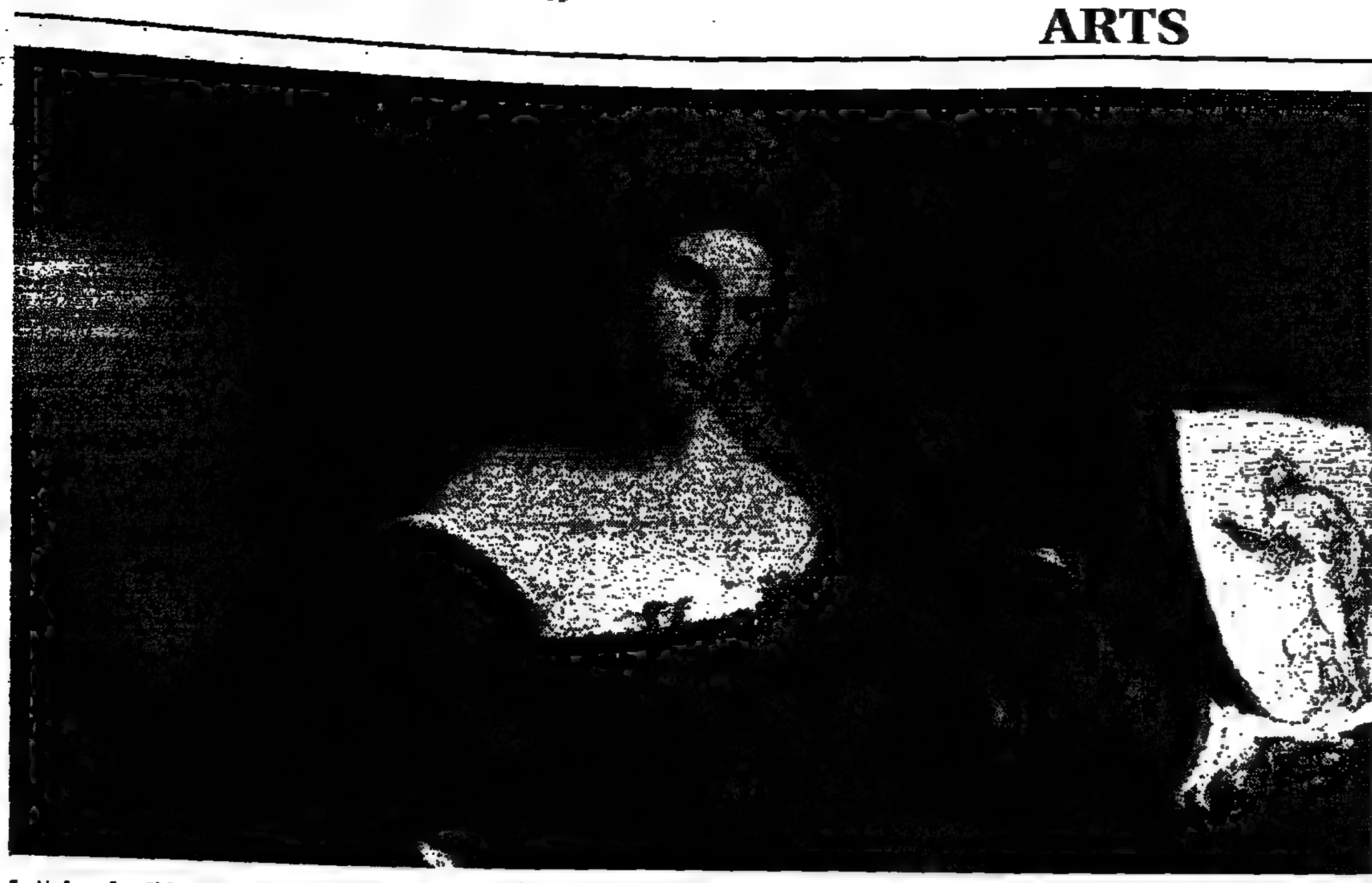
■ Allan Pinne, retail manager, Mobil Europe, is being promoted to Fuels Marketing Director at MOBIL OIL; he succeeds Mike Churn who is moving to the marketing and refining division in Virginia.

■ Charles Holroyd has been appointed md of Redpoint, part of BOWTHORPE, on the retirement of Bill Wilkes.

■ Victor Maundrell, chairman of the specialty materials and technologies division, has been appointed to the board of MORGAN CRUCIBLE.

■ Richard Malthouse, previously group secretary of Del Monte Foods International, has been appointed group secretary at COOKSON on the resignation of Tim Ware.

■ Claire Phillips has been promoted to personnel director of Lunn Poly, part of THOMSON.



Lotto's splendidly ambiguous portrait of a Venetian lady in all her finery clutching a drawing of the virtuous Lucretia National Gallery

Playful studies in ambiguity

William Packer reviews 'Pictures in Pictures' at the National Gallery

The play within the play, the book or poem within the book, or poem, is an ancient literary ploy by which the writer may stand back from the work that engages him, to see it at an arm's length. The visual equivalents of such things are common enough: paintings are to be found in painters' studios, on patrons' walls and church altars and we take them, perhaps, as read; yet they are no less rich than drama or poetry in suggestive possibilities, complex or blindingly obvious as they may be.

Not unreasonably, the second of the National Gallery's agreeably didactic series on pictorial themes and variations, illustrated from its own collections, is given over to them. At some 26 works the show is small, but wide enough in range, from Massys, Christus and Bellini to Degas and Cézanne, to make its several points.

Does it make a shade too much of them? Paintings were ever ambiguous things, yet their study does seem to attract the more literal-minded among us, and here they make holiday. A joke explained, after all, is no joke, and an irony worried over instead of savoured lightly is an irony worried to death. The self-portrait is as ambiguous a subject as any, the purest solipsism, artist remaking himself as object, image, art. And here is Murillo at his most virtuoso, painting himself within a painted frame within the frame, save only that his hand emerges to grasp that second, internal frame, as it were to frame the joke. It is the nicest double-take, and should be left at that.

Here too is the splendidly ambiguous portrait by Lotto of a Venetian lady in her finery, jewels at her breast, her sleeves richly slashed, who holds before her a drawing of the virtuous Lucretia. Do we really need to agonise over the question of whether she herself was truly virtuous, or quite otherwise? Not really. More reasonable is the iconographical reading of the two Vermeers, of women respectively standing and sitting at the virginals, the one in a cool, pure morning light, the other in a richer, darker interior. The one stands before a Cupid who holds up a single card, the other sits before an identifiable genre brothel scene. Both engage the viewer directly, the one with a quizzical, the other a more inviting gaze. The point is there to be taken.

In Hogarth's "Marriage à la Mode" suite, such moralising is quite overt, gleefully, maliciously so, images of classical rape, conventional piety and low life at its grossest variously set to point the vicious satire, as the Earl and his Countess sink by stages into the abyss. But even here the hints and references, though often quite particular in themselves, are marginal to the central narrative, wilfully half-masked or hidden in the shadows, as though little more than private jokes on the artist's part, the onus on us to notice them at all.

Is that, after all, as it still should be? I was certainly grateful to have pointed out to me, in the great Canaletto of the festive procession from the church of San Rocco, what might be Canaletto himself at the back of the crowd, seizing the moment to show off his own painting, opportunistically hung along with those of his contemporaries on the facade of the neighbouring Scuola, to prospective clients. The youthful Cézanne, too, takes as his subject one of his own works, or rather its stretcher, the canvas turned face to the wall and stacked behind the studio stove. Boilly's grisaille of a girl at a window is a virtuoso performance, presenting his own painting as though it were a print, margin, mount and all.

But the most charming category of work is at once the most natural and the least minatory or moralistic. Artists have painted artists at work since ever they worked together in shared studios, or models were persuaded to sit to them. Grouped around the life model or still life, it is easy enough for the artist's attention to shift to the colleague, pupil or apprentice engrossed in the common matter at hand.

Vaillant's youth sits drawing from the cast after Michaelangelo: Metsu considers, with the greatest tenderness, a young woman as she addresses herself to a still-life spread out across a table. Saint Luke, in the character of Flemish master-painter sits at his easel in his studio, palette in hand, his materials on the stool beside him, his symbolic ox, as it might be his dog at his feet. It is by a follower of Massys... and of the master himself? Perhaps – but who can say?

Themes & Variations: Pictures in Pictures. The National Gallery, Trafalgar Square WC2, until September 19: supported by the Bernard Sunley Charitable Foundation

Bath and Wessex Opera/**Max Loppert**

Verdi and Britten

City of Bath Opera, launched two years ago, is now more grandly re-titled Bath and Wessex Opera, and its activities are expanding apace. All this week in the Bath Theatre Royal there are alternating performances of *La traviata* and *The Turn of the Screw*: this is the first attempt to put on two operas at one go.

The stated aims of this small company – most ambitious of the many "private" opera enterprises that have recently sprung up, founded by the producer-designer John Pascoe and the conductor Klaus Donath – are "international" casting and productions faithful to the letter of the text. Both were embodied in the Verdi, sung in the original language, yet it was hardly the result of their combination that made the performance so peculiarly affecting.

It was, rather, the acquisition of one of the world's tiny handful of "real" Violettas currently before the public, Nelly Miricioiu. This soprano, a Romanian now resident in this country for more than a decade, has for some strange reason never arrived at an established position of eminence in British opera that such great and special gifts should assure her. All of our opera intendants ought to drop in on the Theatre Royal this week, to remind themselves how Verdi singing of Mediterranean intensity, colour and musical grace, can sound.

We have had much of other kinds in recent times, but this abundant, intensely italianate kind has been a particular rarity. Miricioiu's Violetta, as Londoners will recall from her moving 1984 ENO portrayal (in good English) at the Coliseum, is achieved upon a wonderfully full, free yet fine-spun delivery of the singing line. Her control of portamento phrasing, tapering of dynamics (with soft high shadings of exquisite delicacy) and generously vibrant emotional attack are all characteristics of a noble tradition in the role – a tradition exemplified by fewer and fewer singers, which is why this particular exemplar deserves to be cherished.

She is a touching actress, who fits into Pascoe's cleverly designed costumes and David Myerscough-Jones's romantic scene-perspectives with easy authority, and who creates a relationship with Gordon Wilson's Alfredo (youthfully handsome, vocally callow but sensitive) in which all the basic points – illness, passionate response, awareness of age difference, access of moral courage, extremes of pathos and poignancy – are made without resort to outlandish or strenuously original effects.

In the Theatre Royal the constant glow of her womanly warmth made up for much that was less satisfying around it. Pascoe's production, traditional in the less distinguished sense, and Donath's stolid conducting of the Bournemouth Sinfonietta (fearfully loud on occasion) suggested rather too often that this *Traviata* was international-opera-by-numbers, not an artistically serious ensemble performance. David Barrell's drily eloquent Germont senior and Penelope Walker's Flora regularly raised the tone; but the divertissement at Flora's party, complete with four Chippendale-style body-builders decked with bulls' horns and Marion Tait and David Morse from the Birmingham Royal Ballet as guest-appearance dancers, lowered it considerably.

From this to the remarkably inventive Britten performance the following evening was a reassuring move in the right direction. No "international" names, perhaps, but notable British singing-actors – Janis Kelly (Governess), Nigel Robson (Prologue and Quint), Enid Hartle (Mrs Grose), Sarah Pring (Miss Jessel) – who with telling accuracy and subtlety lock into their roles. The children, Paula Bishop as Flora and Ben Sutcliffe as Miles, are among the most troublingly vivid I have seen and heard: nervously alert, vocally true, quicksilver in their manipulation of governess and housekeeper.

Roger Vignoles, a celebrated recital-pianist now building an additional career as an opera-conductor, focuses the musical tensions with unforced tautness: in terms of an intimate yet dramatically forceful projection of this astonishingly spare, fertile opera-score there can be few better theatres in the country in which to play, sing or indeed hear *The Turn of the Screw*. With a precise, always subtly motivated use of a few curtains – underscored by side mirror-panels and trailing scarves for the ghosts – the producer, Paula Fuchs, and designers, Mr Myerscough-Jones and Andrea Carr, create layers of illusion, fantasy and dream through which the spectator moves as if spellbound.

Theatre Royal, Bath; season continues until August 14

New music at the Proms

Weir and Saxton

Judith Weir is unquestionably one of the most individual voices in British music today, composer of two widely acclaimed operas (the first, *A Night at the Chinese Opera*, almost a paradigm of what opera in the late 20th century can be), and an array of sharply focused, always fresh and original concert works. Yet her output so far contains relatively little orchestral music – only the chamber-sized *Isti Mirant Stella* (1981) has real substance and engagement.

In Thursday's Prom Martyn Brabbins conducted the BBC Scottish Symphony Orchestra in the London premiere of Weir's *Music, Untangled* from 1991. It was part of a curiously assorted programme that began with the Pas de Six from Britten's *Prince of the Pagodas* and Dvorak's Cello Concerto (Sophie Rolland the less than assertive soloist) and ended with Prokofiev's Seventh Symphony. Weir takes a Scottish folk melody and projects it through a series of transformations which are always oblique and teasing. The whole bustling process only lasts about eight minutes, though this, evidently, was a new enlarged version, and the music brings echoes of Janáček (in the jump-cut transitions) and Tippett (of *Midsummer Marriage* and *Sellinger's Round* mode).

As so often with Weir the music itself exudes no positive personality. The charm, skill and distinction in her work stems much more from the artful arrangements of the musical objects than from the flavour of the invention; the constantly diverting contexts, the unexpected continuities make up the expressive palette. Her method is at its most captivating in a theatrical context – hence the success of the operas and the tours de force of pieces like *King Harald's Saga*, where narrative conceits can be mixed in: it is much harder to bring off in the more or less abstract world of an orchestral piece. *Music, Untangled* is an effective concert filler, but Weir's eventual breakthrough as an orchestral composer will require a much broader, more ambitious canvas.

Andrew Clements

Robert Saxton's strongly imagined, coherent and continuously vivid Viola Concerto came to the Proms the following evening – this was the work's first London performance, seven years after its 1986 Cheltenham premiere. A "face in the crowd" image is the nub of its argument: Saxton constantly places the viola, which he describes as "the most human instruments", at odds with a small orchestra expertly used to convey menace – hard-edged, coolly bated, or darkly immanent as may be, but always sharply contrasted in tone with the eloquently "human" utterances of the soloist.

Though Saxton does not specify the point, one might go further and divine in the work's alienated drum-patterings, chilling piano arabesques and occasional harshly squealing high clarinets an "urban" subtext. The influence of Bartók's *Miraculous Mandarin*, that most extreme of 20th-century musical cityscapes, is everywhere: the dramatic contrasts of mood afford the music a graphic quality of which Bartók would not have been at all ashamed. He might also admired the formal orderliness of Saxton's four (linked) movements, in which the traditional demands of concerto form and a thoroughly modern sense of timbre and texture are smoothly reconciled.

In a way, there is something even a bit "pat" about the composer's smoothing over of joins, sanding away of all rough edges – Saxton's later orchestral works are bolder, freer with form. But the concerto is so assured, so gripping for the listener, and plainly so rewarding for a violist of Paul Silverthorne's calibre to play (he was the work's inspirer and first soloist), that this hardly counts as serious criticism. No less plainly, the City of London Sinfonia under Richard Hickox were roused by it – as they had been, earlier in the concert, by Nicholas Daniel's gloriously witty, urbane, technically breathtaking account of the Strauss Oboe Concerto, but as they had not been by Rossini (*Turk in Italy* Overture, leaden) or Wolf (Italian Serenade, stodgy).

Max Loppert

Cleveland Lyric Opera/**Paul Griffiths**

Elusive 'Mrs Dalloway'

Creating an opera out of Virginia Woolf's novel *Mrs Dalloway* is a bit like trapping a cloud in order to make ice cubes: the material is there, for sure, but the process changes it out of all recognition. And there are easier sources of water. Nevertheless, Bonnie Grice, a radio journalist, insisted that the thing could be done, and managed to persuade first Michael McConnell, the director of Cleveland Lyric Opera, then Libby Larsen, the destined composer. A few years later, with a libretto duly supplied by Ms Grice, the piece provided this small, game company with its first full-length world premiere.

Of course it was impossible. Plot in *Mrs Dalloway* is less important than character, and character considerably less important than method. What matters in the book is the sense of the simultaneity of unrelated things – simultaneity of thoughts, events, purposes and flash moments, to all of which the narrative is mysteriously privy as it froths and bubbles on, a superior gossip. One can imagine a *Mrs Dalloway* symphony – the book itself seems to mimic symphonic form with its recurrent themes, distinct movements and passages of development – but not a *Mrs Dalloway* opera. No wonder a composer friend told Ms Larsen to steer clear.

Instead she went on and did a workmanlike job. By the evidence of her output – which includes four other operas, as well as buckets of symphonies, chamber music and choral items, all from the last two decades – she is a workmanlike composer. Ms Grice's libretto provided a sentimental reunion (that of Clarissa Dalloway and Peter Walsh), a sentimental memory (of Sally Seton) and a sentimental melodrama (the suicide of Septimus Warren Smith, while his wife is arguing with his doctor). All of these Ms Larsen dutifully set, without any particular show of enthusiasm, for soloists accompanied by a small band with prominent percussion and electronic keyboards. The right buttons were pressed: expressionism and eeriness for Septimus, waltzes for love remembered and regretted, neoclassicism for civilisation, contortions of "God Save the Queen" for England. There was nothing wrong with any of it, and nothing right.

The presence of so many reflective solos suggested that Ms Grice's conviction about the idea sprang from the misconception that a book of memory would lend itself to being told through aria. It failed to work because the pace of operatic reflection is so much slower than that of Woolf's prose, and because, without the narrative voice to rush and connect and poeticise, what these people have to say is trivial. Even the counterpointing of the two main threads – Clarissa's life of poignant recollection and Septimus's imprisonment in memories of the Great War – was trivialised by being overstated, and by being baldly cut free from the wash of other characters and incidents the book needs for its tone and its technique.

The title character became a rather frail and neurotic creature, perhaps for reasons that had to do less with Mary Elizabeth Poore's performance than with the transmutation. If you have to sing to yourself about how wonderful life is, then things must be pretty bad. If you have only Ms Larsen's music with which to do it, you might as well take Septimus's escape route. In the opera, though, Septimus was a force, as musical madmen tend to be, and Gary Briggle was striking in the part: a strong lyric tenor with the rough grate of frayed emotions in his voice.

Mr McConnell's first reaction to Ms Grice's importuning was to counter that the book was a film, not an opera. However, Steven Perry's set – an interior with great curves and azure point suggesting Paris rather than Westminster – offered little opportunity for the dissolves and cross-cuttings that the words and music were trying to realise.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Concertgebouw Tonight: Jorge Lopez piano recital. Thurs: World Youth Chorus and Orchestra in works by Poulenc, Grieg and Nystedt. Sat: Lev Markiz conducts New Sinfonietta in Mendelssohn and Mozart. Sun: Gidon Kremer is violin soloist with Asian Youth Orchestra. Next Tues: Dmitri Hvorostovsky. Aug 21, 25: Riccardo Chailly conducts Royal Concertgebouw Orchestra (24-hour information service 675 4411, ticket reservations 671 8345)

ATHENS

Odeon of Herodes Atticus Tomorrow and Thurs: Peter Hall Company's English-language production of Aristophanes' Lysistrata (322 1459)

Epidaurus Sat and Sun: Euripides' The Bacchae. The final performances of the season are Aeschylus' The Seven Against Thebes on Aug 21 and 22. Tickets are available daily at the Athens Festival box office (322 1459) or at Epidaurus on Thurs, Fri and Sat (0753-22006)

BUDAPEST

* Tonight's ballet gala at the Hungarian State Opera opens a 10-day opera and ballet festival. There will be three opera concerts and two performances each of Tosca and La traviata.
* Budapest Festival Orchestra's summer concert series opens at the City Hall on Sat, and is devoted to works of the Bach family. The first six concerts are conducted by Ivan Fischer, and the final three by Jos van Immerseel. Performances are daily till Aug 23, except Aug 20.
* Eva Marton stars in a Wagner gala evening at Budapest Convention Centre on Aug 28, with the Hungarian State Symphony Orchestra conducted by Adam Fischer.
* Booking and information at National Philharmonia Office, Vörösmarty ter 1.

CHICAGO

RAVINIA FESTIVAL

Tonight: Natalie Cole. Tomorrow: Los Lobos. Thurs: William Christie conducts Les Arts Florissants in Purcell's Dido and Aeneas and Charpentier's Actéon. Fri, Sat, Sun: Christoph Eschenbach conducts Chicago Symphony Orchestra in three different programmes, including a concert performance of Fidelio with Nadine Secunde and Ben Heppner, and symphonies by Tchaikovsky and Mahler. Next Mon: Olaf Bär song recital. Next Tues, Wed, Thurs: Zubin Mehta conducts Israel Philharmonic. The festival runs till early September. (Tel 312-728 4642 Fax 708-433 4582)

COPENHAGEN

Tivoli Tonight: Kontra Quartet plays works by Grieg, Hornemann and Mozart. Thurs: Murray Perahia piano recital. Sat and Sun: Michael Schoenwandt conducts Tivoli Symphony Orchestra. Mon: Kurt Sanderling conducts European Community Youth Orchestra in works by Haydn, Beethoven and Sibelius. Next Tues and Wed: Paavo Berglund conducts Chamber Orchestra of Europe. Aug 19: Cheryl Studer. Aug 20: Jessye Norman. The summer concert season runs till Sep 19 (3315 1012)

LEIPZIG

This month's programme at the Gewandhaus includes a performance of Haydn's The Creation on Sat conducted by Enoch zu Guttenberg, a concert by Asian Youth Orchestra with violin soloist Gidon Kremer on Aug 20, Beethoven's Missa Solemnis performed by MDR Symphony Orchestra and Chorus on Aug 24, and a concert conducted by Krzysztof Penderecki on Aug 27. The Gewandhaus Orchestra opens its new season on Sep 9 (7132 280)

LONDON

THEATRE

* Time of My Life: a serious new play by Alan Ayckbourn, with Anton Rogers and Gwen Taylor (Vaudeville 071-836 9987)
* Here: new play by Michael Frayn, directed by Michael Blakemore, about two people who move into an empty room and start to construct their life together (Donmar Warehouse 071-867 1150)
* As You Like It: David Thacker's highly praised RSC revival of Shakespeare's comedy, in repertory with Antony and Cleopatra, The Taming of the Shrew and The Winter's Tale (Barbican 071-638 8891)
* Arcadia: Tom Stoppard's new play, a multi-layered comedy starring Felicity Kendal. In repertory with The Madness of George III, Alan Bennett's award-winning history play starring Nigel Hawthorne (National, Lyttelton 071-928 2252)
* Separate Tables: Peter Bowles and Patricia Hodge in Peter Hall's production of the Terence Rattigan double bill about hotel guests trying to come to terms with age and loneliness (Albery 071-867 1115)

DANCE

Royal Festival Hall English National Ballet winds up its season with Frederick Ashton's production of Prokofiev's ballet Romeo and Juliet, daily till Sat (071-928 8800)

Queen Elizabeth Hall Tomorrow: Prague Festival Ballet, a young independent company founded and directed by David Slobaspyckyj, gives one London performance after its recent British tour. The programme is a triple bill including two new works - Serenade choreographed by Alice Necsea to music by Eugen Suchon, and Love Lessons choreographed by Slobaspyckyj to music by Manuel Ponce and others. Thurs: Travelling Festival of India grand finale (071-928 8800)

BBC PROMS

Tonight, Claus Peter Flor conducts Philharmonia Orchestra and Chorus in works by Mendelssohn, Bartok and Szymanowski, with piano soloist Stephen Hough. Tomorrow: David Atherton conducts BBC Symphony Orchestra and Chorus in works by Ravel, Poulenc and Stravinsky. Thurs: Jiri Belohlavek conducts BBCSO in Brahms, Zemlinsky and Mahler. Fri at 19.00: Peter Maxwell Davies conducts BBC Philharmonic in his Second Symphony, plus Beethoven's Fourth Piano Concerto with Barry Douglas. Fri at 22.00: Jane Glover conducts BBC Singers in Brahms and Schubert. Sat: James Loughran conducts National Youth Orchestra of Scotland in first London performance of Thomas Wilson's Violin Concerto (Ernst Kovacic); Holst's Planets. Sun: Andrew Davis conducts BBCSO in Takemitsu, Tippett, Mozart and Strauss, with piano soloist Nicolai Demidenko. Next Mon: Franz Welser-Möst conducts LPO: Bartok, Dvorak, Brahms, with violinist Frank Peter Zimmermann. Aug 18: Kurt Sanderling conducts Brahms and Rakhmaninov. Aug 23, 24: Mariss Jansons conducts Oslo Philharmonic. Sep 10: Last Night of the Proms (Royal Albert Hall 071-589 8212)

ROTTERDAM

De Doelen Tomorrow: World Youth Chorus and Orchestra: Rakhmaninov, Penderecki, Grieg and Poulenc, with piano soloist Leif Ove Andsnes. Sat: Kurt Sanderling conducts European Community Youth Orchestra: Rakhmaninov, Brahms. Mon: Gidon Kremer is violin soloist with Asian Youth Orchestra (217 1717)

WASHINGTON

THEATRE

* Shadowlands: a love story by William Nicholson based on the life of C.S. Lewis and his American wife. Opens tonight, till Sep 5 (Olney Theater 301-924 2739)
* Down the Road: Lee Blessing's psychological drama examining America's obsession with violence. Till Aug 28 (MacDougal Street Repertory Company at District of Columbia Arts Center 301-608 2440)
* A Simple Heart: an adaptation by a French-American theatre company of Flaubert's tale of a maidservant's unselfish love. Till Aug 22 (Le Neon 703-243 6366)
* The Phantom of the Opera: Andrew Lloyd Webber's musical, directed by Harold Prince. Daily except Sun till Aug 28 (Kennedy Center 202-467 4600)

MUSIC

Wolf Trap Tonight, tomorrow: Temptations and Four Tops. Thurs: Willy Nelson and family, American country music. Fri, Sat: Mary-Chapin Carpenter, folk/country. Sun: Ray Charles (1624 Trap Road, Vienna, Virginia, 703-218 6500)

Blues Alley Jazz Supperclub Daily till Sun: Les McCann and Eddie Harris Quartet, piano/sax. Aug 26-29: Freddie Hubbard Quintet (1073 Wisconsin Ave, in the alley, 202-337 4141)

Merriweather Post Pavilion Tonight: Sharon, Lois and Bram. Sun: Deep Purple. Next Tues: Beach Boys. Next Wed: BB King. Aug 30: Jethro Tull, Procol Harum (301-982 1800)

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals Guide.
Thursday: Festivals Guide.
Friday: Exhibitions Guide.

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Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

New faces on the box

Patti Waldmeir on changes in South African broadcasting

Authoritarian governments do one thing best: they teach people to take orders, and to like it. Nowhere is the habit of subservience more damaging than in the newsroom of the state broadcaster. Until four years ago, few broadcasters anywhere in the former totalitarian world could rival the South African Broadcasting Corporation (SABC) for slavish adherence to the ruling party line.

Now the SABC has a new chairman who is black, a woman and anything but a supporter of the National party. In a society which has been moulded almost as much by male chauvinism as by racial discrimination, the appointment of Mrs Ivy Matsepe-Casaburri is a seminal event. She will be at the helm of an institution which has served as a loyal hand maiden to the National party since it took power in 1948 until the day, four decades later, when it decided to end apartheid.

Mrs Matsepe-Casaburriwill occupy one of the hottest seats in the country. With South Africa's first multiracial elections expected next year, all political parties agree that an independent SABC is crucial to a fair poll. Within months, the corporation is to come under the scrutiny of an Independent Media Commission, chosen by the parties to constitutional negotiations, and charged with ensuring fair election coverage.

But there are signs that the *SABC itself is preparing, not* for independence, but for a new kind of servitude.

"The king is dead; long live the king." South African political columnist Denis Beckett, writing in the Johannesburg Sunday Star, quotes this well-worn phrase to highlight his worries that SABC staff are already shifting their allegiance from one political master to another: from the National party to the ANC. Indeed, they seem to share the country's confusion over who is really in charge, obeying both masters by turns but never acting independently.

The coverage of events surrounding the assassination of Mr Chris Hani, the African National Congress guerrilla leader, was a case in point: SABC television aired what can only be described as a hagiographical portrait of Mr Hani – a man demonised by the National party – and allowed the ANC to dictate some of the coverage surrounding his death.

On the eve of a national day of mourning, SABC-TV agreed to broadcast on prime-time news *a three-minute appeal for* calm from Mr Nelson Mandela, ANC leader. When Mr Mandela delivered an eight-minute prerecorded video, the TV editors halved it, to howls of outrage from the ANC, which insisted it be broadcast again in full. The SABC complied.

SABC editors insist they were acting in the national interest in bowing to ANC pressure. But as media lawyer Mr David Dison points out, the SABC understands the national interest to mean the interests of the government of the day – or in this case the government in waiting.

For in the old South Africa, government always knew best. Prof Gavin Stewart, head of the school of journalism at Rhodes University, believes that religion as well as politics conspired to create a sycophantic culture at the SABC. "That's built into the Calvinist culture [of the Afrikaner] – you believe your leaders are ordained by God, and you can't help but pass on that attitude to the new leaders."

In any event, the news culture of the SABC has improved since President P W Botha left office in 1989. He personally interfered in its news coverage on a regular basis. The ANC and other black political organisations, banned by Pretoria, *were never heard on air.*

Since Mr Botha's departure, ANC speakers appear almost nightly, along with representatives of the far left and right. And SABC staff say they no longer receive direct telephone calls from the president.

But SABC news continues to reflect undue deference to the presidential viewpoint. One example, of central importance, was the SABC's coverage of the appointment of its own new board of governors. The appointment provoked a political dogfight between the ANC and the government, after President de Klerk twice vetoed the list of 25 board members recommended by an independent panel of jurists.

But rather than reflect this dogfight on TV, by pitting Mr de Klerk against an ANC representative in live debate, SABC chose to give the president an easy ride from a tame interviewer, who did not even ask the president why he had vetoed the panel's black nominee as chairman, Professor Njabulo Ndebele, in favour of a white Afrikaner, who subsequently resigned in protest. Mrs Matsepe-Casaburri, who was previously deputy chairman, was finally appointed last week as chairman as a compromise candidate.

But if the president emerged from the SABC board fiasco looking like a brute – he forced the replacement of several *ANC-leaning nominees* by anonymous Afrikaners of questionable credentials – the ANC looked scarcely better. Despite the fact that ANC officials had agreed that the president *should* have *final veto over* nominees, they claimed foul play when he used it.

Over time, the board may succeed at building credibility. But no board, however pure, can *revolutionise overnight* the culture of an organisation with 5,000 employees, 22 radio stations, 12.5m radio listeners and 8.8m daily viewers for its three television channels.

The ANC has called for an "iron broom" to sweep Afrikaner dominance from SABC newsrooms; and important changes will need to be made at the top, where virtually every senior editorial post is held by an Afrikaner male.

The new board has started to address this issue. Affirmative action policies will be pursued. Priority will be given to blacks in filling top and middle management posts *that fall* vacant in the next 18 months.

But it may be easier said than done. With the SABC as monopoly broadcaster for 57 years, there are few trained *broadcasters who did not grow* up in the culture of the SABC.

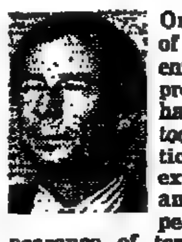
That monopoly is now expected to end, with the SABC likely to be unbundled. Commercially viable channels and radio stations could be sold off to private shareholders by a new government. Political parties have agreed that broadcasting in the new South Africa would be regulated by a new independent broadcasting authority, which would allocate many new radio licences to outside broadcasters, and possibly create a commercial TV channel.

Deregulation will naturally multiply the number of independent news sources, and reduce the potential for government control.

But broadcasting experts say the market may be too small to support another commercial television station, meaning the SABC would remain in effective control of TV. If it remains a monopoly, the risk is that a new government – faced with the political instability expected to plague the first years of the new South Africa – would eventually be tempted to abuse the SABC again. With that in prospect, viewers would do well to enjoy the present Prague spring; the SABC may never be so free again.

The chancellor's dilemma: an inside view

Oil's disappearing act



One cause of our present borrowing problems that has received *too little attention* is the extraordinary and unexpected disappearance of tax revenues. Some of this can be attributed to the recession. But the recession cannot be blamed for the reduction in the share of national income that is taken in tax from 42½ per cent in 1985-86 to 36 per cent predicted in March for 1993-94. That 6 per cent difference is worth over £35bn. It has made a significant contribution to the emergence of our £50bn borrowing problem.

In a buoyant tax system, where revenue tends to rise and fall more than proportionally with national income, a recession may reduce the revenue share. But this explanation cannot account for the decline in the revenue share since 1985-86, since money incomes (and real incomes) are, despite the recession, still well above their 1985-86 levels.

No, the most important single cause of the falling revenue share is the 1986 collapse in the oil price and the subsequent decline in oil production. The resulting loss of revenue was initially disguised by a surge in corporation tax (and other) revenues in the boom of the late 1980s. It has become apparent as other sources of revenue, notably corporation tax, have dried up in the recession of the early 1990s. On this view our present revenue shortfall is deep-seated and structural.

Oil has gone out of the news, and people now forget that Britain's North Sea revenues have been the single most important influence on the public finances since the mid-1970s. They rose from nothing to just under 4 per cent of gross domestic product in 1984-85, and have since fallen back to pre-Thatcher levels. There was a virtually instantaneous loss of oil revenues worth nearly 2 per cent of GDP when the oil price plunged in early 1986. That revenue has never been replaced.

Why did the government not act at once to replace what was (in today's money) a £12bn revenue loss? The short answer is they didn't need to because the great boom of the late 1980s increased the yield of other taxes, most notably corporation tax. The unexpected increase in corporation tax revenues from 2 per cent to 4 per cent of GDP covered the loss of oil revenues for a while. Their equally unanticipated disappearance in the early 1990s recession has now exposed the problem.

The corporation tax roller*coaster is easy to explain with* hindsight. The Lawson reform of 1984 had made the UK tax rate on profits one of the lowest in the world, and international companies, which always have some discretion in their internal transfer pricing, chose to take their profits in the UK. So the UK government, by taxing at a low rate, effectively bid away tax revenue from other countries. It was a version of Lafferism (low rates generating high revenues) which worked only as long as other countries allowed it. Over the years, they have responded by cutting their own corporation tax rates, and the bonanza has ended.

Today's problems have their origins *in a surprisingly* distant event, the 1986 collapse in the oil price

The Lawson reform also produced a *built-in* rise and fall in corporation tax revenues. Cutting the tax rate from 52 per cent to 35 (now 33) per cent was bound in the long run to reduce the tax yield on a given level of profits. In the short term, however, the tax cut was phased in slowly, and more than offset by changing the system of capital allowances. Instead of writing off investment in a single year, we moved to a 25 per cent reducing balance system. Initially that produced a sharp fall in the value of allowances (and rise in the corporation tax yield) but over time, as the value of allowances has climbed back to its original level, the tax yield has fallen.

A further factor was the increased investment of the late 1980s. That boosted the total value of allowances, which were carried over into the recession, enabling companies to set still-large allowances against shrinking profits. The effect was magnified by the concession made in the 1991 budget, enabling companies to set tax losses against *profits earned up to three* years earlier.

The rise in corporation tax revenues clearly contributed to the fiscal optimism which underpinned the tax cuts of the late 1980s. Its fall in the early 1990s has aggravated the ensuing deterioration in the public finances. But if we compare tax revenue this year with the level in 1985-86, the share of corporation tax is unchanged. Of the 6 percentage point fall in the government's revenue share since then, two components stand out: the loss of oil revenues accounts for half the shortfall; income tax and National Insurance (NI) for another quarter.

These figures underline the central message of this analysis, which is that today's problems have their origins in a surprisingly distant event, the 1986 collapse in the oil price, a fact that was concealed from us by the behaviour of corporation tax revenues. They also suggest that the tax cuts of 1987 and 1988, the NI reform of 1989, and the introduction of Peps, Tessas and independent taxation for *women have* eroded income tax revenue to an extent that now appears unsustainable.

Before leaping to the conclusion that the tax cuts were wrong, we should remember two salient facts. First, and most surprising, the 6 percentage point reduction in the tax burden since 1985-86 has only brought it back to the level that Mrs *Thatcher inherited* from Labour in 1978-79. The main energies of the first Thatcher administration were directed to reducing borrowing, notably by means of the tax *increases in the famous* 1981 Budget. That, plus the new oil revenues, secured a 6 point rise in the tax burden in the first three Thatcher years.

Those tax increases were reversed in the late 1980s against a background of public spending restraint (the second salient fact) which drove down its share of GDP from a peak of nearly 47 per cent in 1984-85 to 39 per cent in 1988-89. The loss of oil and income tax revenue did not matter as long as it was matched by the fall in the public spending ratio.

Today's problems arise because the loss of revenue has proved permanent while the fall in spending has been reversed. Since it will be difficult to get spending down again, taxes have to go up. The government's misfortune is that the revenue from "invisible" taxes with a low political profile (oil royalties, Petroleum Revenue Tax, corporation tax) has now to be replaced with much more visible (and therefore unpopular) tax increases. It is all part of the process of adapting to life without our North Sea riches, a theme to which I shall return next week.

Bill Robinson

The author is former director of the Institute for Fiscal Studies and was a special adviser to the former chancellor, Mr Norman Lamont

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

A better way to save on energy bills

From Mr Geoff Stephenson.

Sir, Re "Advance payments could avoid VAT on fuel bills" (August 7), if energy consumers have cash to spare for such payments they would be far better advised to spend it on energy efficiency improvements at home – thus saving themselves far more than the 8 per cent VAT this year, next year, and for ever more.

An investment of £1,500 in the right combination of house insulation, draught proofing, heating controls, low energy lighting and a more efficient boiler could save a typical householder 30-50 per cent of their energy bills – enough to pay the VAT and still have change.

And if all the energy and hot air devoted by populist politicians in attacking VAT on fuel had been devoted to the cause of energy efficiency, we'd all be better off, with lower fuel bills and less environmental damage.

Geoff Stephenson,
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Local efforts too often ignored in delivery of emergency aid

From Mr Nicholas Hinton.

Sir, Edward Mortimer's review of Jonathan Benthall's book, *Disasters, Belief and the Media* (August 6), describes a list of familiar characters who appear on the scene during news coverage of emergencies overseas. Among "the hero, the *villain,* the *dispatcher* and the donor" was a striking omission: the local people.

Local relief workers are almost always the greatest contributors to the provision of emergency relief. The resources may have to come from outside (though not always) but those who deliver them on the ground – who drive the convoys, run the feeding centres, *staff the refugee* camps and provide health care – are usually national staff from the country concerned. Even in Somalia, where national structures have collapsed, relief programmes have been crucially dependent on brave, committed, qualified Somali staff.

Unfortunately, even the best of the Western media tend to be blind to these efforts. The "media construct" described by Mr Benthall is a template applied without discernment by reporters and editors who "know" what the public will identify with – the "hero" (or, equally, the "heroine"), a white Western aid worker replete with agency T-shirt, looking caring and concerned against the background of starving *children or miserable refugees.*

The overall impression created is one of helplessness and pathetic dependence among the local people, contrasted with the active, even "flamboyant" generosity of Westerners. This can be damaging, not just for the image of the Third World and its people which the public receives, but also for its direct consequences for the *relief and rehabilitation* programmes.

It encourages a type of aid delivery which donor governments, anxious to be seen to act swiftly, are increasingly anxious to fund. *This is to* parachute Western workers, materials and delivery structures into a foreign country, ignoring not only the local context but also the local capacity for meeting the crisis. National professional people, many of them highly trained and qualified, find they have no influence over an expenditure of massive resources from outside which may be inappropriately targeted.

When the international agencies depart (not coincidentally, soon after the last of the TV cameras) nothing will have been done to strengthen the ability of the local people to go on meeting the needs of a disaster which may have repercussions lasting many years.

The journalists who cover these situations are compassionate men and women whose reporting is frequently motivated by humanitarianism. But their hope that by reporting a need they will produce the *right kind of action is often too* simplistically applied. The style and content of the reporting will influence the style and content of the response. It is time for creative journalists – *and, more importantly, their* editors – to break the disaster-reporting mould and think again.

Nicholas Hinton,
general secretary,
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Expected benefits of Uruguay Round may not materialise

From Mr Colin Hines.

Sir, Richard Blackhurst (Letters, August 2) reinforces the uncritical assertions made by countless commentators and the media that the signing of the Uruguay Round will result in an income gain of around $200bn. The implication is almost that 12 months after the ink is dry the benefits of such an order will accrue. The reality of the actual study and the opinions of its critics are very different.

The much quoted $200bn figure comes from a 40-page OECD study which the organisation's secretary-general, Jean Claude-Paye, has called a "pretty theoretical study". He was also highly critical of the way the media had made extensive use of the figure while ignoring the corollary that it would take ten years to achieve the gains and that some nations, particularly in the developing world, would be hurt.

In a similarly critical article on the study, the Wall Street Journal quoted the authors themselves as saying that "they've been misunderstood and that people are hoping for the moon". It has also been admitted that the model used was not an economic forecast model and so could not answer questions about what effect the conclusion of the round could have on the current world recession.

At the end of the day, of course, the real question is not how many computer guesstimates can you get on a pinhead, but what the actual effects of a General Agreement on Tariffs and Trade Uruguay Round will be for the world's poor, its unemployed and for the environment.

Outside computer programmes and in the real world, people are increasingly aware that it will make things worse. Their growing response is perhaps best encapsulated by the Indian slogan of "Home Rule Not Gatt Rule."

Colin Hines,
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Right step to convergence

From Prof Georges de Menil.

Sirs, The six MIT economists who called for an early burial of the EMS (Personal View, July 29), bolstered their argument by a dramatic analogy to the policies of the 1930s. They equated "hanging on to the D-Mark" in 1993 with "hanging on to gold" in 1931.

There are, however, many lessons in economic policy to be *drawn from* the Great Depression. Surely one of them is that competitive national devaluations are not an effective path to full employment. What Europe needs is not to bury the EMS, but to restructure it and restore its efficacy as a system that encourages policy convergence. The August 1 agreement to widen the bands could prove to be the first step.

Georges de Menil,
professor of economics,
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Vehicles not so polluting

From Mr Geoffrey Pelling.

Sir, Your report "Roads bring growing tensions to Whitehall" (August 6) contains a seriously misleading statement about "traffic fumes". These were to be the fastest growing factor in air pollution. The fact is that noxious vehicle emissions are now declining because of the introduction of catalytic converters.

This is recognised by the Department of the Environment which, in its recently issued consultation paper on "sustainable development", stated that tighter emission standards introduced in 1993 for new vehicles, together with tighter checks on older ones, should lead to a steady improvement in air quality to the end of the century and beyond.

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Soft on the hard Ecu

THE BRITISH proposal for a hard Ecu, originally put forward by Mr John Major when chancellor in 1990, was not without its merits. But whether it will become more than a marginal talking point again in the aftermath of the near-terminal upheaval in the exchange rate mechanism seems altogether questionable.

The case for a parallel currency which would never depreciate against any existing currency within the ERM was originally made in the context of a very powerful impetus towards economic and monetary union. While the Maastricht timetable for Emu remains theoretically intact, monetary union inevitably looks more remote after recent events. The D-Mark – a softer option than the hard Ecu – has anyway proved too much even for the *franc fort*. In short, the problems of the EC after Maastricht are not ones to which the hard Ecu looks relevant. The important thing now is to ensure that Europe gets its larger priorities right.

The first essential is to absorb the message implicit in the ERM's loss of credibility in the markets. The pressure on the system came mainly from the idea that the attempt on the part of France and other countries to retain a fixed relationship with the D-Mark in the period of German unification was doomed to failure. With Germany running a combination of tight monetary policy and lax fiscal policy, the ERM became a mechanism for transmitting a needless recession across Europe. Macro-economic stringency was thus added to the micro problems of Europe's over-rigid labour markets. The resulting upward pressure on unemployment numbers raised doubts about the political commitment to a hard ERM, notably in France.

On this the markets judged better than the politicians. And in seeking to establish what can be salvaged, it is important to recognise that the level of interest rates appropriate for the German economy is unlikely to make sense for much of the rest of Europe for some time to come. It follows that any response to the ERM debacle that involves the French government in seeking a swift dash for monetary union would simply compound the damage. It would also perpetuate the chief political error in the Maastricht process, whereby the integrationist instincts of Europe's political elite ran far ahead of public opinion.

It seems unlikely that such a move would anyway appeal to Germany, where opinion polls suggest considerable hostility to the loss of the D-Mark. Nor will an early narrowing the ERM bands amount to much more than an invitation to market participants to test the resolve of the central banks once again. The more pressing need is for some wider rebalancing of economic policy. A more responsible German fiscal policy will no doubt take time. But the Bank of France's decision yesterday to cut short-term rates by a quarter of a point was a modest but useful step in a sensible direction: a lot more of the same is required.

Leaving school

POTENTIALLY the most valuable innovation of last week's report by Sir Ron Dearing on the national curriculum in England and Wales was the announcement that he is to consult until the end of the year on changes to education from the ages of 14 to 19. His big idea is that the age 16 need not have any great educational significance. In the UK's main competitor countries, after all, 14 is more important. At this point, children embark on courses which are designed to keep them in full-time education until the age of 18 or 19.

This runs against the traditional British educational culture, where 16 is regarded as the standard leaving age, and academic A-levels are the educational "gold standard". But disquieting international comparisons released last week by the Department for Education suggest that Britain's focus on academic education to the age of 16 encourages children to leave school early. In 1990, only 40 per cent of the UK's 16-18-year-olds stayed in full-time education. This was the lowest figure for any of the countries surveyed: the German rate was 89 per cent.

In other European countries, national curriculums are narrow and their purpose is to ensure that all children study at least a core of essential academic subjects. Some will add to that core academic subjects for a career in higher education. But others will concentrate, without any feeling of stigma, on vocational education.

Unfortunately, the national curriculum in England and Wales has had exactly the opposite effect. It accounts for too much of pupils' time to allow worthwhile vocational courses. Technology covers several technical disciplines, and does not allow children to develop specific skills.

Britain's problem seems to be that it does not motivate children, who by 14 have already lost any interest in academic subjects. A programme of vocational education could give them extra confidence, along with worthwhile skills and work habits.

The government has made several changes to vocational education. General National Vocational Qualifications are now to be called "vocational A-levels" and are proving popular with 18-year-olds. Further education has been released from local education authorities, and has been given extra funds for expansion.

But the changes have lacked focus, and what is most needed is a change in culture. Reform of vocational education need not be a controversial matter. It has steadfast backing from employers, and enjoys the support of teachers' unions, and of the Labour Party. High unemployment has also helped the chances of engineering a cultural change. With limited job opportunities available, youngsters are getting into the habit of staying in full-time education for longer. If the right courses are introduced, they might continue to do so even when the job market is buoyant once more. The opportunity is there to be grasped.

Profits, please

WITH THE UK recession now over, British companies seem to have come through it in remarkably good shape. The profitability of those which have survived is much higher than at the end of the last recession. Their investment is holding up, as is their capacity utilisation. Despite higher margins, they remain more competitive in world markets than a decade ago. With a recovery under way, might it not be plain sailing from now on?

Perhaps, but not necessarily. As the latest Bank of England Quarterly Bulletin suggests, the most significant change in British commercial life over the past decade has been in the relations between employer and employee. The driving force behind higher margins has been rising productivity, combined – latterly – with surprising wage restraint. But the implied shift in the balance of power between labour and capital cannot be unconnected with the endemic rise in unemployment over the past decade, and its future direction is uncertain.

Granted, the shift has benefited workers and shareholders alike. As the Bulletin reminds us, the share of profits paid out in dividends doubled during the 1980s. This did not stop the real wages of UK workers rising rapidly in the same period: the losers were those whose jobs were sacrificed in the cause of higher productivity.

But the rise in dividends also meant that retained profits – that is, profits available for re-investment – were no higher in relation to GDP in this recession than in the last. Though investment was higher, it was funded by debt: a fact which may have made companies more conservative.

Moreover, the rise in UK profitability over the decade owes much to the more recent inclusion of the privatised utilities. Exclude those, and the remaining companies which make up Britain's shrunken export-orientated manufacturing industry still make a meagre return by international standards. But unless more capital can be attracted to the traded goods sector, Britain is unlikely to correct its trade deficit. And unless manufacturers can make higher returns, they cannot keep both workers and shareholders happy and have profits left to reinvest.

Whether the outcome is the rosy scenario – a sustained rise in export margins – will depend on how the government and wage-bargainers react to recovery. The UK government has staked the remnants of its credibility on its inflation record. The news that UK factory gate prices rose last month by 4.1 per cent may sound unsettling in a supposed low-inflation environment.

If companies are to improve their margins, they must be allowed to raise their prices faster than their costs. At present, the devaluation of sterling gives British industry that opportunity. But if the government takes fright and seeks to push sterling up, or if wage-bargainers try to offset higher prices with higher wages, then it will *not* be plain sailing.

Michael Skapinker on a Polish woman's campaign to win back property confiscated by the Nazis

The struggle of the dispossessed

In her central Paris apartment, Mrs Ewa Szpicberg sits composing letters to finance ministers, company chairmen and bankers, demanding support in her battle against the occupiers of her land in the Polish port of Gdansk.

Her principal targets are Saur, the French water company, and Orbis, the Polish state tourist organisation, which, she alleges, operate on land confiscated from her family by the Nazis in 1939. There are, in her eyes, other villains too. Chief among them is the European Bank for Reconstruction and Development, which is considering funding further Saur projects in Gdansk.

For Mrs Szpicberg, a 70-year-old Jewish grandmother, the emotionally charged letters in English, French and Polish are an attempt to gain one small victory on behalf of her younger brother, Marek, and other family members who died in the Holocaust.

To the recipients of her letters, her struggle highlights the hazards of doing business in eastern Europe. Property owners and their heirs, dispossessed by the Nazi or communist authorities, can emerge to upset the most carefully considered investment plans.

Mrs Szpicberg's campaign began in January last year when she saw a small item in a US news magazine quoting a Polish official who said the country would return property confiscated from Jews during the second world war.

She asked Mr Jerzy Lipski, a Gdansk lawyer, to investigate what had happened to two properties that her father, a Warsaw timber merchant, had purchased in 1922.

Mrs Szpicberg and her brother inherited the Gdansk properties when her father died nine years after he acquired them. As the site of two apartment blocks, the properties provided the family with a rental income until the war.

With the Nazi occupation of Poland, the Szpicbergs were split up. Mrs Szpicberg and her mother evaded capture by posing as non-Jews in different parts of Poland. Marek died in the Warsaw ghetto uprising of 1943. After the war, Mrs Szpicberg made her way to Paris, where she was reunited with her mother.

Mrs Szpicberg has never returned to Poland. It did not occur to her to reclaim the land until she saw the US magazine article.

Mr Lipski reported that the apartment blocks were gone. The properties had been nationalised after the war.

The first property, a 136 sq m site, was now covered by part of the high-rise Hevelius hotel, operated by Orbis, which had acquired a lease on the site in perpetuity from the Gdansk provincial government.

The second property, covering 333 sq m, was now owned by the city of Gdansk and formed part of the local waterworks.

It was the discovery that the city of Gdansk was busily attracting foreign finance to upgrade its water system that set Mrs Szpicberg off on her letter-writing campaign. Why should foreign companies profit from land confiscated by the Nazis, she asked. And shouldn't guests at the Hevelius be aware of the history of some of the land under the hotel?

At the beginning of last year, Gdansk transferred the management of its drinking water and purification system to a company controlled by Saur, a wholly owned subsidiary of Bouygues, the French construction and engineering giant. Saur was granted a 51 per cent stake in a company called Saur Neptun Gdansk, which had the right to operate the water system for 30 years. The remaining stake was held by the city of Gdansk.

Mrs Szpicberg accepts that it would be impractical for the water company to return her land. Her aim is to receive compensation.

She wrote to the city authorities, telling them that part of the joint venture's facilities were on her land. The city brushed aside her request for compensation. Ms Maria Malkowska, a member of the Gdansk city governing board, says there is no prospect of the municipality meeting Mrs Szpicberg's demands. She says: "We are simply not considering such claims."

Mrs Szpicberg wrote twice to Bouygues. Last November she received a reply from Mr Bernard Devalan, Saur's director general, saying she should go back to Gdansk municipality, the only authority competent to deal with her claim.

Mr Jacques Sennepin, Saur's deputy managing director and the head of the company's foreign operations, says: "It's an awful case. Unfortunately, there are many cases like this. But we have no power to do anything."

Last December, Mrs Szpicberg read in Les Echos, the French newspaper, that the EBRD and a group of Scandinavian companies and government organisations were planning to help finance the upgrading of Saur Neptun's water purification system.

Over the next seven months she wrote six increasingly fraught letters to Mr Jacques Attali, then the bank's president, asking how the EBRD could fund a company in possession of land confiscated by the Nazis. She asked him to withhold bank money until Saur Neptun had settled with her.

Camera Press
Polish property ownership has been confused since Germany's '39 invasion

Mr Attali replied twice. His tone was sympathetic but his message was clear: the bank could do nothing. He wrote: "I understand the sentiments which drive you ... I would particularly like to avoid answering so personal letter as yours with the coldness of a bureaucratic response.

"However, the financial participation of the bank in the recoustruction of the water purification system of Gdansk does not permit it to intervene on your behalf with the municipality, the only body competent to settle your dispute."

The EBRD says that the replies to Mrs Szpicberg from Mr Attali, who resigned earlier last month after criticism of lavish spending at the bank, remain its policy.

Mr Josue Tanaka, deputy director of the bank's infrastructure department, says he does not think the project, an Ecu68m investment in waste-water collection and treatment, was on Mrs Szpicberg's land. He says the bank's legal advisers said it could take no action on Mrs Szpicberg's behalf. This is because its funds would go to a company set up to finance the project rather than to the operating company.

Mr Tanaka expects the bank to finance 20 per cent of the cost of the project. Other investors are expected to be Saur, the Gdansk local authorities and a group of Scandinavian investors headed by the Krüger Group, the Danish environmental protection and energy company. Krüger wrote to Mrs Szpicberg last April saying it could not help her, as the company's involvement in the project would not give it any control over her property.

The other Scandinavian investors are expected to be the Nordic Environment Finance Corporation, which is funded by the governments of Denmark, Norway, Sweden, Iceland and Finland, and two Danish government bodies. The three organisations say they cannot comment on Mrs Szpicberg's case.

Mrs Szpicberg wrote five times to Mr Theo Waigel, the German finance minister and former chairman of the EBRD board of governors. Yesterday she received a reply from Mr Waigel, saying that while he regretted what had happened to her family under the Nazis, he was no longer chairman of the EBRD governors and was unable to help her.

Mrs Szpicberg dismisses the argument of the EBRD and its fellow-investors. She argues that, as the bank's founding agreement commits it to respect human rights, it should not provide funds to a company in possession of land acquired as a result of earlier human rights violations.

She has made some progress with Orbis. Earlier this year she wrote to Mr Paul Dubrule, chairman of Accor, the French hotel group, asking for his help. Accor has no connection with the Hevelius. Orbis, however, runs six hotels in Poland under franchise from Accor. Accor also runs a small tourist company in Paris jointly with Orbis.

Mr Dubrule instructed some of his senior executives to see what they could do. Last April, Mr Michael Flaxman, the regional director responsible for Poland, wrote to Orbis saying Accor hoped a solution could be found. On May 4, Mr Lipski was told by Orbis that the organisation hoped to present proposals for a settlement in two weeks. Orbis has still not presented its proposals.

Ms Maria Warchol, Orbis's legal counsel in Gdansk, says the organisation "is conducting an investigation which would clarify the exact legal position as to the status of the land". Ms Katarzyna Gontarczyk, the organisation's spokeswoman in Warsaw, confirms that Orbis hopes shortly to reach a solution acceptable to both sides.

High stakes in title fight

Christopher Bobinski on competing claims for land

Unravelling title to land and property is not easy in a country with a past like Poland's.

It was occupied by the Germans in 1939. Then, in a 1945 deal between Stalin and the western powers, its eastern and western boundaries were shifted 200km west, as it was given a large tract of former eastern Germany in compensation for a 200km swathe of eastern Poland which was integrated into the former Soviet Union.

During the war, the Nazis had already confiscated large numbers of buildings and private estates. In the years that followed, the communist regime continued the process, nationalising almost all the privately owned land in Poland.

As in the rest of eastern Europe, the collapse of communism in Poland in the 1980s has meant the revival of the property issue. Growing numbers of former owners and their heirs have demanded the return of their property, whether it be land, factories, apartment blocks, houses or water mills.

The Polish government has been struggling to clarify and define the issues involved in a restitution bill, designed to combine the interests of tens of thousands of claimants with the rights of those who have been using their property for decades.

For example, 2.7m hectares of land were confiscated from landowners after the second world war. Of these, 1.7m hectares were distributed to peasant farmers, who still hold the land. The 3,000-strong former landowners' association says it only wants back land still held by the state.

In addition, 16,500 country houses, large and small, were confiscated. Only 200 remain habitable, largely because they were developed as schools, conference centres or state farm headquarters.

If there is consensus on anything, it is that the issue must be resolved. Without a restitution law, "foreign and domestic investment and privatisation remain impeded", says Nabarro Nathanson, the UK law firm, in its study of the latest draft version of the bill.

Mr Maciej Raczkiewicz of Epstein Engineering, a US company operating in Warsaw, agrees up to a point. "It's a problem but not an overwhelming one," he says. "Getting building permits out of the city bureaucracy causes more of a headache."

Developers who have faced repeated problems getting finance for their buildings have blamed the delay on difficulties in clarifying land title. But it is at least partly caused by an overloaded and inefficient bureaucracy.

Indeed, over the past three years, western investors buying into Polish enterprises have shown scant regard for the claims of former owners, trusting government assurances that they would be compensated when the restitution law was passed.

The Swarzedz furniture factory in northern Poland was one of the first state companies to be privatised. When it was sold in a public share offer in 1991, the government held back 5 per cent of the equity to compensate for the claims of two former owners who came forward.

PepsiCo Foods International, which bought control of the Warsaw-based Wedel chocolate company in 1991, ignored the fact that Mr Karol Whitehead, an heir of the former owner, had been trying for the past year to persuade the government to recognise his well-documented claim to the factory.

"The heirs of the owners of E Wedel hold to this day all the prewar shares of this company," says Mr Whitehead.

Legally, however, wherever property was taken over in accord with communist nationalisation decrees of 1945 and 1946, it remains the property of the state until a restitution law is passed. Wherever a former owner can prove that the nationalisation decrees were violated, property has been restored.

The draft law, which had started its passage through parliament before it was dissolved at the end of May, provides for three forms of compensation. These are: the return of the property in question; where that is impossible, "equivalent" property; and third, compensation in the form of privatisation coupons, which could be used to buy shares in privatised assets.

These provisions would apply only to Polish citizens domiciled in the country at the time the law came into force, and not to the large number of Polish people still living in exile.

The government is considering the creation of a "reprivatisation reserve", which would consist of 5 per cent of the equity in majority state-owned joint stock companies and which would provide for the means to compensate for property that cannot be physically restored.

However, with the outcome of elections on September 19 uncertain, no one knows when the restitution law will be passed. Meanwhile, a senior official in the privatisation ministry says of land that belongs to the Treasury under the postwar decrees: "At the moment there is no law which would permit us to give this land back. When one is passed, then we will be able to do something. Until then our hands are tied."

OBSERVER

Testing the royal water

■ So you want to get your throne back? Deposed monarchs the world over will be watching with interest the surprise visit to Greece by former King Constantine and his family.

The king, who lost his throne in 1967, has stooped to employing a big international public relations company to publicise the symbolism of his return. Judging by the good turn-out for the recent funeral of King Baudouin of the Belgians, the royalty business is doing rather well at the moment and if an ex-king is to make a come-back now is as good a time as any.

Burson-Marsteller, which employs some of the world's top spin doctors, has been primed to supply media-friendly answers to the most obvious questions about the ex-king's return to Greece. Hence, the only official significance of the timing of the visit is that it coincides with some of the king's children finishing university and other teaching jobs. As to who is paying for the expedition, all B-M is prepared to disclose is that the royal family are on board a motorboat chartered from a Greek company through a British brokerage firm and are guests of the Prince of Hanover.

No mention of the wealthy Greek shipping families who frequent the king's off-shore court in London's Hampstead and would dearly love a return of their monarch. Nor for that matter is there any mention that Constantine is returning to Greece when the government is looking particularly wobbly. If B-M does a good job for Constantine there could be plenty more out-of-work monarchs knocking on its door.

Trading down

■ When you have been managing director of Coutts & Co, private bankers to the royal family, what do you do for an encore?

Julian Robarts, who spent 34 years in a Coutts' frock coat, has found another family to serve, albeit one with rather less money. He has recently taken over as chief executive of The Iveagh Trustees, which manages what's left of the fortune of the brewing side of the far flung Guinness family. The family stake in Guinness is now down to around 2 per cent. But this is still worth close to £200m.

Robarts, whose family bank had been taken over by Coutts in 1914, parted company with Coutts after its parent National Westminster Bank decided to put one of its own men in charge at the end of 1991. Having had a year off enjoying himself, Robarts decided that 56 was too young to retire from City life.

Discreet as ever, Robarts refuses to say much about his new post, save to admit that it is a full-time job. Indeed, the appointment would probably have gone unpublicised had it not been for the fact that Robarts has also taken on the chairmanship of Hill Martin, a small Bristol firm which looks after the finances of wealthy clients.

'He's swallowed a hard Ecu but I'm not sure if it's worth retrieving it'

Leg pull

■ Ted Dexter, finally bowled out as chairman of England's cricket selectors, should have known his innings was up when the latest Information Technology Review added its weight to the growing criticism of English cricket.

It was up to London University computing professor John Campbell, stone-walling against unrealistic claims about the possibilities of artificial intelligence, to state the obvious.

"It may be possible to build a cricket-playing robot, but we don't think that we can equip it with the knowledge and batting skills of Don Bradman," Campbell says, before adding: "though building something with just the competence of an average member of the present English national cricket team may be another matter."

Under wraps

■ Still on the subject of cricket, has anyone seen Barry Flanagan's odd statue which has just been removed from under the nose of the Bank of England?

It was supposed to be a cricketer but a Financial Times reader rang to complain that it was more like a kangaroo sitting on top of some cricket stumps. Hardly the sort of work that should be supported by a nationalised industry, complained one reader, especially when England was receiving such a pasting at the hands of the Aussies.

However, when Observer went to inspect the offending exhibit, which was part of the Art in the City project, it had disappeared. Had Eddie George, the new governor of the Bank of England, eradicated the last traces of his cricketing-mad predecessor? No such luck. The Bank of England is just as much in the dark as the sculpture's owner, Waddington gallery, as to the cricketer's current whereabouts. Let's hope the Australians haven't kidnapped it.

Digit-all

■ Self help and the elimination of red tape is something you come to expect from an organisation representing the best of British business. So visitors to the CBI's Centre Point headquarters should not be surprised to find that instead of having to spell out their name and company ever so slowly to the receptionist they are now required to punch in their details on a small keyboard at the front desk. The information is printed out onto a visitors' ticket which the receptionist folds into a plastic lapel badge.

Observer passed the key-board test, of course, but is not so sure that those CBI members who are used to minions hitting the keys will take as kindly to the idea. After all, where is the personal service?

Hello?

■ What is the difference between a Hungarian and a Briton?

A Hungarian leaves without saying goodbye, whereas a Briton says goodbye without leaving.

FINANCIAL TIMES
Tuesday August 10 1993

Britain to cut price it pays for drugs by 2.5%

By Paul Abrahams in London

DRUGS groups expect to be told today that prices paid by the UK government will be cut across the board by 2.5 per cent.

The move, after months of negotiations about profit levels, came as a big manufacturer announced that it had slashed the UK price of one of its best selling medicines to avoid being put on a National Health Service blacklist.

RhônePoulenc Rorer, the Franco-American pharmaceuticals group, also said it would think twice before launching certain drugs in the UK in future.

The moves in the UK are the latest in a series of measures by governments around the world to control spending on medicines. Price cuts have been introduced this year in Italy and Germany, where drugs sales fell 1.8 per cent and 11 per cent respectively during the first five months of this year. In the US, Mrs Hillary Clinton is preparing reforms, due to be released next month.

RPR cut the UK price of its drug, a sleeping pill called Zimovane, from 98p to 16p per tablet. The medicine generated sales last year of £10m ($15m), which compares with the group's UK prescription medicines turnover of £90m. The price cut comes into effect from October 1.

The company said the UK department of health was threatening to put the drug on a blacklist of products which could not be prescribed on the NHS if its price was not cut. The department of health is negotiating with the industry over blacklists for 10 therapeutic categories.

Dr Ian Hindmarsh, professor of human psycho-pharmacology at the University of Surrey, said the introduction of blacklists could threaten patients' lives because old but cheap treatments with serious side effects would be prescribed in preference to newer, safer, but more expensive alternatives.

UK pharmaceuticals stocks fell on the news of RPR's price cut as the market expected other companies to follow its example. Glaxo, the company most exposed to the blacklists, closed down 13½p at 516½. SmithKline Beecham, the UK healthcare group, dropped 11p to 438p, while Wellcome fell 22p to 654p and Zeneca, the recently floated ICI bioscience business, dropped 6p to 650p.

The 2.5 per cent price cut will be part of proposals agreed between the department of health and the negotiating committee of the Association of the British Pharmaceutical Industry (ABPI).

Industry chief executives will be told the results of the committee's discussions at a meeting this afternoon. They must agree the terms of the renegotiation of pharmaceutical price regulation scheme, the voluntary agreement overseeing industry profits.

The ABPI said RPR's Zimovane was not a typical example because its price was so far out of line compared with other products. But it accepted that other manufacturers would need to cut prices to avoid the blacklists.

UK credit data fuels hopes for recovery

By Emma Tucker and Stephanie Flanders in London

STRONG consumer credit growth and a smaller than expected rise in the prices of manufactured goods yesterday added to optimism that the UK recovery is gathering pace without being dogged by inflation.

The good news, together with a trimming of lending rates in France, sent share prices in London to a record closing high as investors looked forward to renewed economic activity in Europe.

Official UK credit figures pointed to a willingness among consumers to borrow for this year's early summer sales, indicating an easing of the post-recession fear of debt.

The Central Statistical Office said consumers borrowed a net £213m ($317m) in June, the highest seasonally adjusted monthly figure for two years. A broader measure of credit growth painted a similar picture, with net lending at £616m in the second quarter compared to £299m in the first.

Meanwhile, the prices of manufactured goods leaving factories rose only 0.1 per cent in July compared with June, suggesting that manufacturers are continuing to absorb the higher cost of imported raw materials and fuel following the devaluation of sterling in September. Prices were 4.1 per cent higher than a year ago.

The FT-SE 100 Index closed up 16.6 at a record high of 2,986.4, just off a new peak reached during trading of 2,986.8. However, the pound, trading against the background of a stronger D-Mark, lost some of its recent gains to close down ⅔ of a pfennig at DM2.5350.

New credit advanced to consumers rose in June to £4.69bn, from £4.2bn in May. Nearly two-thirds of the increase reflected higher advances on credit cards, with most of the rest due to lending by finance houses.

Economists counselled against reading too much into one month's figures. "The June growth in consumer credit reflects the very lumpy profile of the most recent retail sales figures, which dropped off in May, followed by a strong June figure to make up," said Mr Kevin Gardiner, UK economist at SG Warburg Securities. "Still, this is one in the eye for those who thought that, when the recovery did arrive, consumers would refuse to finance it with consumer credit," he added.

The credit figures account for only a small part of total private sector debt as they do not include mortgages. The June lending data takes in about 15 per cent of consumer borrowings, while the broader quarterly measure includes bank loans on personal accounts and lending by non-bank credit cards and covers about 20 per cent.

London shares, Page 23

THE LEX COLUMN

Hard currency choices

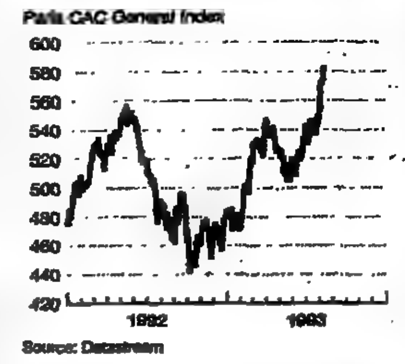
Strange that the government should revive its proposal for a hard Ecu while the exchange rate mechanism is in disarray. As chancellor and prime minister, Mr Major in the past championed the cause of a common European currency when faced with the less palatable alternative of a single currency. Since Mr Kohl, the German chancellor, believes that the divergence of European economies has put back monetary union by at least two years, that threat appears to have receded. More likely, then, Mr Major sees an opportunity to fill the political vacuum while other European governments wonder what to do next.

But even if the drive towards a single currency has been derailed, sceptics will not be easily convinced that the creation of a thirteenth European currency is a credible alternative. The Bundesbank is notably opposed to the creation of a parallel currency and monetary institutions. Monetary hawks elsewhere are no less suspicious of a plan which might distort money supply. Exactly how the proposed European Monetary Institute would set hard Ecu interest rates and control the stock of money remain open to question. It is hard to believe that Euro-sceptics within the Conservative party will be any more tolerant of a common currency than a single currency. The bruising ratification of the Maastricht treaty can not have helped bring them on side.

On that basis the hard Ecu looks no more likely to win friends than it did two years ago. True, such a common unit of account would bring savings for business in cross border transactions. But while some European governments still have their sights set on the higher goal of monetary union, the proposal looks little more than a sideshow.

FT-SE Index: 2986.4 (+16.6)

France



Source: Datastream

France

Rather like an old dog which cannot learn new tricks, the French government continues to adhere to an exchange rate mechanism which effectively no longer exists. Yesterday's minimal cut in the overnight lending rate to 9.75 per cent emphasises the government's continued adherence to the ancien régime. The government now appears to confront two options with only one outcome: either it cuts interest rates and the franc depreciates as returns on holding the currency decline; or it does not cut interest rates and the franc depreciates because investors worry about the damage to the underlying economy.

Over the short term, the government may persist with high rates to replenish its depleted foreign reserves. But the reluctance to cut perhaps also reflects the government's psychological shock. French politicians have no recent experience of managing a floating franc. Mr Balladur now needs to invent a new policy. Politically, it would be acutely embarrassing for him to allow the franc to fall sharply.

Overseas investors who have already bid up the Paris equity and bond markets are taking substantial interest rate cuts for granted and may grow queasy about delay. But interest rates are only a part of the equation. A lower cost of borrowing may boost corporate profits but will have little effect on consumers worried about jobs. With unemployment at 11.6 per cent and rising, French demand may remain weak for longer than the equity market fondly imagines.

UK economy

Given that early summer sales in June had tempted shoppers and produced stronger retail sales figures, it is hardly surprising that consumer credit also grew during the month. Indeed, the strength of credit card advances reinforces the idea that bargain hunters are prepared to buy when prices are right. Whether the trend will continue once the sales end will be the real test of consumer confidence. Yet unless the picture deteriorates badly, there is little pressure for an interest rate cut to bolster growth. Nor is there a need to offset an appreciation of the pound, since sterling's trade-weighted index has fallen over the past two weeks.

So short gilts weakened yesterday as the prospect of interest rate cuts receded, while the long end of the market took heart from the fact that inflationary pressures remain weak. The recent powerful rally has not been slowed by the supply of new issues, even though the government is well ahead with this year's funding programme. Banks, overseas buyers and retail investors seem happy to support the market, especially with the prospect of lower interest rates in the autumn to counter any fiscal tightening in the November budget. Any sign of renewed inflation would, however, undermine that complacency.

GKN

Following last week's announcement of an imminent order from Kuwait comes this week's announcement of the imminent signing of a contract on an order from Kuwait. GKN seems to be learning quickly the excellent defence trick of unveiling the same deal several times. And in traditional defence style the size and value of the order are state secrets and may remain so even when contracts are finally signed.

Still, it is possible to discern something through the fog. The Kuwaiti order for Warriors will dovetail nicely with the ending of the production run for the British Army in 1994. Given that plant and development costs will have been written down margins on the Kuwaiti order should be good, and there may well be an additional order for Piranha wheeled vehicles later. All of which suggests that while GKN's current rating looks demanding, those prepared to look out to 1995 can see solid value.

RTZ

RTZ's sale of a stake in the Lihir gold project to a little-known company at a meagre price is curious. It may indeed be technically difficult to extract gold from a volcanic island and politically awkward to cater to the demands of Papua New Guinea's government. But Lihir remains one of the biggest known gold reserves in the world. Moreover, it is hard to see what the new partner brings to the party other than some scarcely-needed cash to help RTZ fund the next stage and an added degree of complexity. Still, such concerns are too peripheral to undermine RTZ's share price progress more than momentarily.

Nato puts off firm decision over Bosnian air strikes

By Gillian Tett in Brussels and Laura Silber in Geneva

NATO yesterday came a fraction closer to carrying out its threat of air strikes in Bosnia after a meeting of alliance ambassadors in Brussels reached a broad agreement on the military logistics of such attacks.

But with splits remaining among the allies about the scope and timing of any action, Nato again deferred a firm decision on the strikes. It insisted that this would require United Nations consultation and further Nato meetings.

In Geneva President Alija Izetbegovic of Bosnia yesterday met the co-chairmen of the peace conference in the wake of their suspension last week of peace talks amid Bosnian protests over the Serb seizure of two key mountains near Sarajevo.

Diplomats say Mr Izetbegovic was holding out for Nato air strikes against Serb targets ringing Sarajevo. He has appealed for intervention in the "name of peace", saying "even one air strike" would help end 16 months of war.

But some Nato diplomats said that a firm decision on the air strikes at the moment would be untimely. They cited continued confusion about the status of the peace negotiations in Geneva and uncertainty over whether Serb troops had withdrawn, as promised, from mounts Bjelasnica and Igman.

A spokesman for the peace talks said the Serb flag was no longer waving over Bjelasnica. UN officials, however, could not confirm that Serb forces had pulled back from Mount Igman, which is of greater strategic significance for the Bosnian army because it controls a crucial supply route to the besieged capital.

The Bosnian Serb leader, Mr Radovan Karadzic, appeared anxious yesterday to show that his forces were complying with the UN-brokered agreement. "Step by step we will hand over all mountains to the United Nations forces," he said.

There was uncertainty whether Mr Izetbegivic would hold direct talks with Mr Karadzic and his Croat counterpart, Mr Mate Boban, who both returned to Geneva yesterday. Asked last night whether he would meet his Bosnian Serb and Croatian adversaries, Mr Izetbegovic said simply: "Tomorrow".

Nato's deferral of the air strike issue appears to be both a concession to demands that the UN play a more prominent role in any military action and an attempt to buy more time for the allies.

During meetings in Brussels, the Nato ambassadors approved a range of options for "graduated" military action in Bosnia drawn up by the military committee this weekend.

Serbs inject fresh doubts into Nato, Page 2

Paris cuts cost of borrowing

Continued from Page 1

for failing to do so. But political analysts in Paris said the letter could also represent support for Mr Balladur, who faces pressure from within his Gaullist RPR party for rapid interest rate cuts and a more expansionary economic policy.

Most economists expect the government to cut interest rates in an attempt to revive the recession-hit economy, but that it will do so gradually.

LDP influence in cabinet

Continued from Page 1

foreign minister, again promised to seek a reconciliation with other Asian countries by apologising for wartime brutality. The appointment completes a circle for Mr Hata, who turned down the foreign minister's post not long before defecting from the LDP this year, saying that his priority was political reform.

The cabinet's stated policy priority is to introduce changes to the electoral system within a year, and Mr Sadao Yamahana, the leader of the SDP, was appointed minister in charge of political reform. Before winning agreement from his coalition partners for reform, he must convince colleagues at the SDP who fear that the changes could cost them a place in the parliament.

SDP politicians were also given the posts of transport and construction, which have been at the centre of the scandals prompting the upheaval in Japanese politics. The appointment of an ex-LDP official to the construction ministry, in particular, would have badly tarnished the image of the new cabinet.

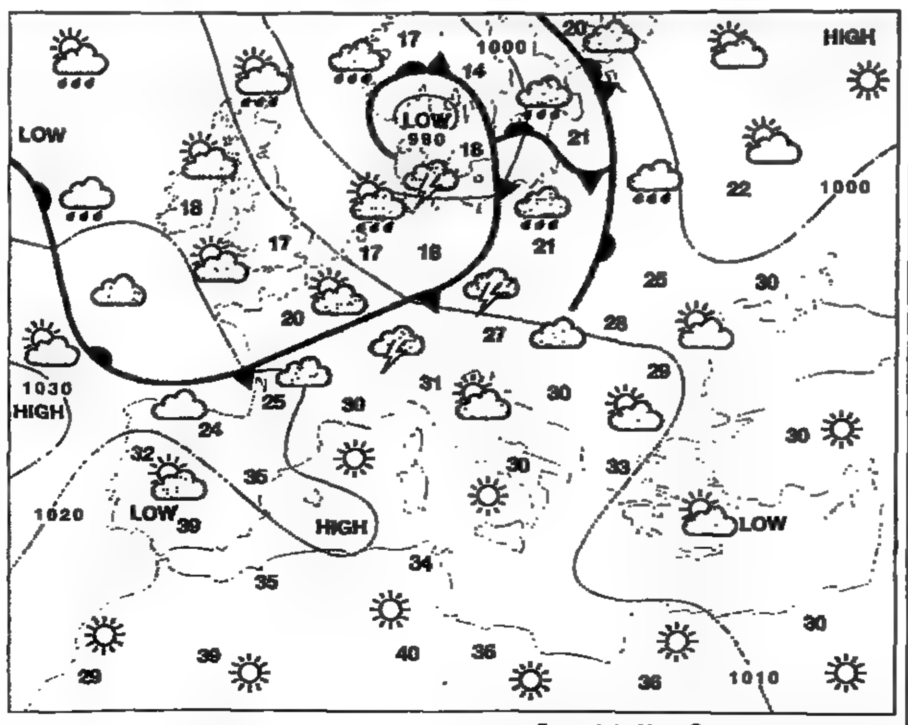
FT WORLD WEATHER

Europe today

Low pressure over Denmark will bring unsettled conditions to north-western areas. A frontal zone extending from the low will produce rain and below normal temperatures in southern Scandinavia, Germany, and later in Poland and Austria. Central France will have isolated showers, but persistent rain is expected in the north-western Alps. As the frontal zone moves east, north-eastern Europe will have showers. Thunder showers will develop this afternoon in Hungary and south-eastern France. The Mediterranean will continue warm and sunny with temperatures reaching 35C again in central Spain.

Five-day forecast

A strong westerly flow over Europe will keep conditions unsettled over the British Isles, Scandinavia, the Low Countries and Germany. The UK will be wet and windy, especially on Wednesday and Friday when low pressure centres will cross the country. By the weekend, high pressure will bring temporary improvement over northern France and the Low Countries. Unstable weather, including some sunny spells, is expected in north-east Europe and over France. By the end of the week, hot weather over Spain will move east and the Baltic States will become warmer.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum Celsius

			Belfast	fair	17	Caracas	fair	26	Faro	sun	29	Majorca	sun	33	Reykjavik	rain	12
			Belgrade	sun	29	Chicago	fair	32	Frankfurt	shower	21	Malta	sun	33	Rio	shower	22
Abu Dhabi	sun	42	Berlin	shower	19	Cologne	shower	18	Geneva	rain	23	Manchester	fair	16	Riyadh	sun	42
Accra	shower	28	Bermuda	fair	31	Dl Salaam	fair	28	Glasgow	shower	17	Manila	rain	27	Rome	sun	29
Algiers	sun	35	Bogota	shower	20	Dakar	fair	31	Hamburg	thund	16	Melbourne	shower	14	S. Frsco	fair	22
Amsterdam	shower	16	Bombay	shower	30	Dallas	fair	36	Helsinki	cloudy	20	Mexico City	fair	22	Seoul	rain	26
Athens	sun	33	Bordeaux	fair	25	Darwin	fair	30	Hong Kong	shower	32	Miami	sun	32	Singapore	shower	32
B. Aires	fair	12	Brussels	cloudy	18	Delhi	fair	33	Honolulu	shower	31	Milan	fair	31	Stockholm	rain	15
B.ham	fair	17	Budapest	fair	28	Dubai	fair	41	Isle of Man	shower	16	Montreal	fair	27	Strasbourg	shower	23
Bangkok	shower	34	C.hagen	shower	18	Dublin	fair	18	Istanbul	fair	29	Moscow	fair	22	Sydney	shower	13
Barcelona	sun	29	Cairo	fair	36	Dubrovnik	fair	30	Jersey	fair	18	Munich	thund	24	Tel Aviv	fair	33
Beijing	shower	32	Cape Town	sun	17	Edinburgh	windy	17	Karachi	cloudy	32	Nairobi	fair	22	Tokyo	shower	26
									Kuwait	sun	44	Naples	sun	30	Toronto	shower	26
									L. Angeles	hazy	24	Nassau	rain	32	Tunis	sun	34
									La Paz	rain	15	New York	fair	29	Vancouver	shower	20
									Las Palmas	sun	29	Nice	sun	27	Venice	fair	28
									Lisbon	sun	34	Nicosia	fair	36	Vienna	fair	28
									London	fair	18	Oslo	rain	17	Warsaw	rain	23
									Lux.bourg	cloudy	18	Paris	rain	21	Washington	fair	29
									Lyon	fair	27	Perth	rain	18	Wellington	shower	5
									Madeira	sun	26	Prague	thund	20	Winnipeg	sun	32
									Madrid	sun	37	Rangoon	shower	26	Zurich	rain	22

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Petrofina warns of first half decline

Petrofina, the oil group which is one of Belgium's largest industrial companies, yesterday warned that first half consolidated profits were likely to slip to BFr3.8bn ($105m) compared with BFr4.16bn last time. Petrofina blamed the "persistent depression" in all industrial sectors in Europe and the US, particularly in chemicals. Page 17

CHT digs deep with rights issue

The Cross Harbour Tunnel Company (CHT) plans to raise HK$830m (US$107m) from a one-for-two rights issue at HK$13 a share to fund construction of Hong Kong's new Western Harbour tunnel, part of the HK$165bn airport development programme, which received approval from China in June. Page 16

Sara Lee rises 11.8%

The Chicago-based food and consumer products company, Sara Lee, reported an 11.8 increase in fourth quarter profits, to $190m after tax. Sales advanced by 13.3 per cent, at $3.85bn. Page 16

Transmitter seeks listing

National Transcommunications, the privatised engineering and transmitter arm of the old UK Independent Broadcasting Authority, is likely to seek a stock market flotation next spring. Page 17

Air crash brings share crash

Shares of Swedish companies linked to the country's military aerospace programme fell sharply yesterday after the crash of a JAS 39 Gripen fighter aircraft during an air display over Stockholm on Sunday. Page 17

A new leaf for papermakers

A downturn in prices and demand is prompting a consolidation in the Japanese paper industry, which like others was broken up during the US occupation. Page 17

Almost in focus

Lucas Industries, the engineering group, is on target to complete a £100m divestment programme by the end of October after the sale of its aerospace engineering and heating systems business to a management-led buy-out team backed by UK financial institutions for £9m ($13.41m). Page 19

Checking out hotels

Demand for UK hotel stocks has been growing, but the sector's problems have changed investors' stock selection. One fund manager said: "Investors are now much more sensitive to the quality of management." Page 20

Futures beckon to Portugal

Portugal plans to set up a futures market in fixed rate treasury bonds by the end of 1994, but first the government wants to streamline and simplify cash market trading. Page 18

Germany catches up

The German equity market outstripped France after being left sadly behind seven days before. An unexpected cut in the Buba repo rate last Tuesday allowed Germany to extend its 1993 gains to an above-average 20.7 per cent. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				**Rises**			
Rises				Cred Lyon (CI)	780	+	17
Bilf & Berger	959	+	25	Ecco	548	+	13
Linotype-Hell	438.5	+	10.5	Lafarge Coppee	458	+	11.5
Rheinmetall Brin	298	+	8	Vallourec	247.5	+	22
Schmalbach Lub	375	-	12	**Falls**			
Falls				Docks de France	555	-	27
Heidelb Zem	1045	-	25	Navigation Mixte	1050	-	27
Kaufhof	535.5	-	9.5	**TOKYO (Yen)**			
NEW YORK ($)				**Rises**			
Rises				Boso Oil & Fat	617	+	91
Eastman Kodak	60⅝	+	1½	Fujitsu	758	+	22
NationsBank	52⅞	+	⅜	Japan Radio	1740	+	50
Primerica	56⅞	+	1⅜	Nihon Parker	800	+	35
Salomon	44⅝	+	1⅛	Royal	1490	+	60
Falls				**Falls**			
Amgen	32½	-	2⅛	Toyo Kanetsu	781	-	15
Sun Microsystm	28½	-	⅞				
PARIS (FFr)							

New York prices at 12:30.

LONDON (Pence)				Scott Pickford	34	+	7
Rises				Standard Chart	896	+	12
Abbey Natl	410	+	8	Swallowfield	118	+	9
Bardon	46	+	3	Unitarn	385	+	17
Black (P)	185	+	9	Vibroplant	74	+	7
Brit Aero	449	+	14	Wilkes (J)	94	+	6
Eurocamp	223	+	13	**Falls**			
Grand Met	433	+	14	Computer People	95	-	10
Kleinwort	216	+	18	Member Serain	610	-	20
Oceana Cons	95	+	5				
Richardsons West	84	+	9				

BNP prepares for sale with share split

By Alice Rawsthorn in Paris

BANQUE Nationale de Paris (BNP), the largest of France's state-controlled banks, yesterday took a step towards privatisation this autumn by announcing plans for a two-for-one scrip issue to make its shares more marketable.

Meanwhile, the French economics ministry said it had appointed Lazard Frères, one of the most prominent Paris investment banks, as the government adviser on BNP's privatisation.

The government yesterday also appointed Banque Indosuez, a subsidiary of the Suez holding company, as its adviser for the sale of Rhône-Poulenc, the public sector chemicals company to be privatised at the same time as BNP.

Rhône-Poulenc and BNP are the first candidates for sale in the French privatisation drive, which is one of the most ambitious programmes in Europe and could involve the sale over the next two years of as many as 21 state-controlled companies worth up to FFr360bn ($61bn).

BNP yesterday said that the scrip issue, whereby investors will be given two new shares for each existing share, was intended to improve the shares' liquidity. The issue, which will be submitted to shareholders for approval at BNP's next investors' meeting on September 17, will double the number of shares in circulation by halving the nominal value of each share.

Scrip issues are becomingly more common in France, where the nominal value of shares tends to be higher than in the US or the UK.

Rhône-Poulenc last month announced plans for a four-for-one share split as part of its strategy of streamlining its share structure in preparation for privatisation.

LVMH, the luxury goods group, which is already publicly quoted, also recently split its shares.

The next stage in BNP's privatisation will be the launch early next month of the corporate strategy devised by Mr Michel Pébereau, the French banker who two months ago was brought in as chairman.

Mr Pébereau, who was chief executive of the Crédit Commercial de France banking group at the time of its privatisation in 1987, has spent the summer mapping out his proposals.

He will present them to BNP's staff in early September and to shareholders at the September 17 meeting.

VW predicts recovery in 1994

By Christopher Parkes in Frankfurt

VOLKSWAGEN, Europe's leading volume carmaker, is on the road to making a profit in 1994, Mr Werner Schmidt, finance director, said yesterday.

A recovery was under way from first-half losses of DM1.6bn ($930m). Next year group turnover should recover to the 1992 level of about DM85bn. However, Mr Schmidt added, there were still "imponderables" such as exchange rate variations.

On Friday, VW said the turnround point could be reached this year, provided the market did not deteriorate further.

Observers said that statement and Mr Schmidt's comments yesterday suggested that the group was backing away from earlier, confident forecasts that it would break even in 1993.

According to provisional statistics the Volkswagen group's western European market share – including sales of the VW, Audi, Seat and Skoda marques – was 16.1 per cent last month, compared with 17.8 per cent in July 1992. While total industry sales were down an estimated 21 per cent, deliveries of VW brands were about 29 per cent lower.

Sales of General Motors marques, including Opel and Vauxhall, were down 13 per cent and market share was up a provisional 1.2 points at 12.9 per cent last month.

As sniping between the two groups continued in the row over suspected industrial espionage, Chancellor Helmut Kohl suggested they should stop the "highly distasteful" public debate. Mr Gerhard Schröder, prime minister of Lower Saxony, which owns almost 20 per cent of VW, appealed again for peace talks between VW and Opel.

Opel has refused all contact until Mr Schröder and senior VW executives withdraw allegations of a US plot to damage Volkswagen and of possible perversion of the course of justice.

According to news agency reports, Mr José Ignacio López de Arriortúa, VW's production director and focus of the spying charges, arranged for "magazines, clippings and correspondence" to be detroyed after he was employed by VW. He is reported to have told prosecutors that he did not return any "possibly" sensitive papers to GM or Opel because destruction appeared to be the surest way to prevent distribution.

RTZ cuts stake in Papuan gold

By Kenneth Gooding, Mining Correspondent

RTZ Corporation, the world's biggest mining company, yesterday announced plans to cut its stake in the Lihir Island gold project in Papua New Guinea – the largest known gold deposit outside South Africa – from 80 per cent to about 20 per cent in exchange for $108m (£72m) cash.

The UK group has wanted to reduce its exposure for some time to what it saw as a marginal project. Lihir's gold is in the crater of an extinct volcano full of hot water and difficult to extract.

However, analysts were surprised by the value put on the project, only $300m, and by RTZ's new partner – Venezuelan Goldfields, a Vancouver-listed company in which controversial promoter Mr Robert Friedland is the biggest shareholder. RTZ has agreed to sell a near 20 per cent indirect stake in Lihir to Vengold for $59.97m.

"This is all fairly peculiar," said Mr Euan Worthington, of SG Warburg. "It does not put a very large value on Lihir and why sell to a small Canadian exploration company. Where is the synergy?"

Vengold will hold its interest in Lihir via RTZ's project parent company, control of which will be retained by RTZ. The UK group will continue to manage the project.

RTZ has also agreed to sell to Niugini Mining – part of Battle Mountain Gold of the US – a further 16 per cent of Lihir, for $48m, to add to its 20 per cent.

The deals have to be approved by the Papua New Guinea government which has indicated it will take a 30 per cent stake. If so, the RTZ/Vengold company will eventually control 40 per cent of Lihir and Niugini 30 per cent.

The PNG government has been pressing RTZ for a quick decision on Lihir because it needs the income. The deposit contains nearly 14m ounces of mineable gold and the partners expect to produce 620,000 ounces a year.

The government recently threatened to take 50 per cent of the project to speed things up.

There is incentive for the government to give approval because RTZ said construction could start earlier than expected, in 1994, and take only 28 months. Also, a final cost estimate is expected to be lower than the previous one of $767m.

Some analysts suggested it was the perceived political risks of mining in PNG that caused RTZ to reduce its stake. RTZ's Australian associate, CRA, closed the Bougainville copper mine, one of the world's biggest, three years ago because of a violent uprising. This year the government was involved in disputes about the Mt Kare and Porgera gold mines.

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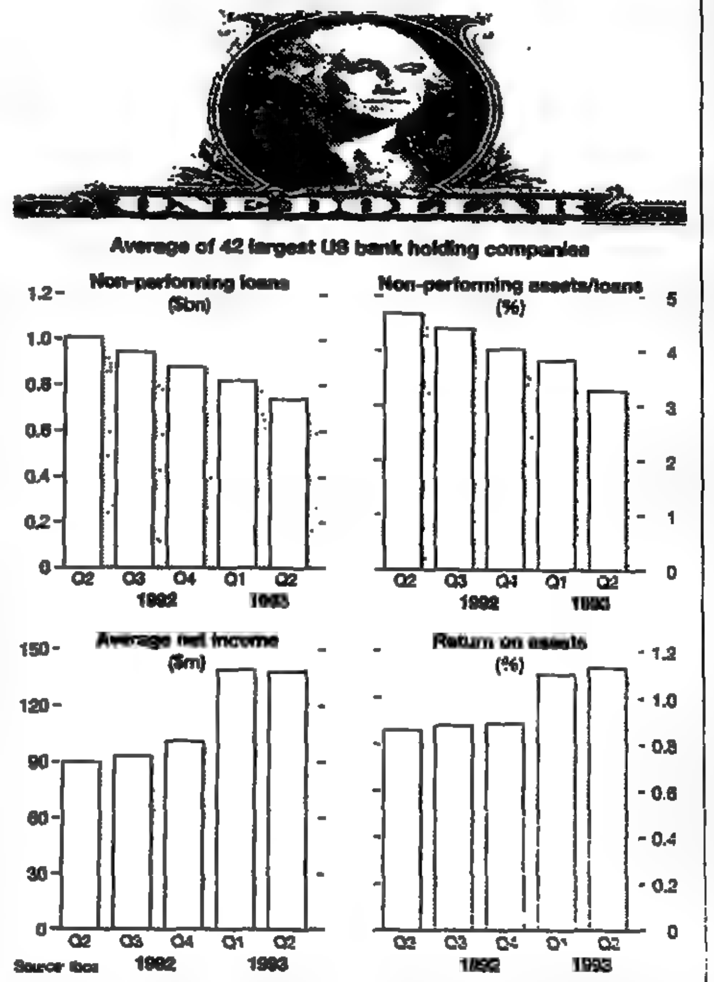
Richard Waters on the risks that follow a US banking revival

A test for the catastrophe theory of lending

US banks: a return to health



Is this an accident waiting to happen? First-half results from the biggest US commercial banks have confirmed their rapid return to financial health, leaving them among the best-capitalised banks in the world.

Recent history, though, has shown the banks to be profligate users of their shareholders' capital – from lending to lesser developed countries at the start of the 1980s to the credit-driven boom in property and corporate deals at the end of it. The fashionable sport for observers of US banking now is to spot where the next disaster will come from.

The banks' recuperation, revealed by their second-quarter figures, has been faster than most analysts expected. With US property prices bottoming out, and improved profitability and lower debt levels among their corporate customers, the overall asset quality of most banks has turned markedly upwards.

Total non-performing loans held by the 42 big US banks followed by Ibca, the UK-based bank rating agency, fell by $3.3bn during the second quarter. At $31.1bn, troubled loans are nearly a third lower than a year ago.

It will take some time to clear the decks. At the end of June, the banks were also sitting on property – acquired as a result of loan foreclosures – with a written-down value of $14.2bn. Banks such as Citicorp (which accounts for $3.5bn of this) have said they will sell only when they can realise favourable prices, rather than be rushed into fire sales.

The improvement in the quality of bank assets was reflected in lower provisions to cover potential credit losses. Added to high lending margins – the average is still about 4 per cent – and record profits from trading in foreign exchange and other markets, this boosted the banks' after-tax earnings. The $5.8bn of after-tax profits made by the 42 banks covered by Ibca was $3bn more than in the second quarter of 1992 and it further strengthened capital ratios.

Even Citicorp, recently the stumbling giant of US banking, managed a tier one capital ratio of 5.7 per cent at the end of June, up from 4.25 per cent the previous year, thanks partly to an issue of preferred stock.

Others strengthened what were already respectable capital levels compared with the internationally agreed minimum of 4 per cent: BankAmerica reached a tier one level of 6.9 per cent and the rest of the top 10 banks achieved more than 7 per cent.

But will this renewed balance-sheet health herald another stampede into risky lending?

So far, the signs are that both the banks and their customers are more cautious this time around. "The tendency is to go from one extreme to the other," says Mr Bill Rhodes, vice-chairman of Citibank. Individual lending officers are prone to be over-cautious after recent loan-loss experience.

Mr Richard Boyle, vice-chairman of Chase Manhattan in charge of credit policy, agrees. "Risk appetite is going to be a bit abated. The hurdle for acceptability of credit is higher than when this cycle started."

There is also a lack of demand for loans on both the east and west coasts, and in the midwest. With economic recovery proceeding at a slow pace, companies have yet to build up inventories so keeping a lid on their financing requirements. "Demand for bank credit is a trailing indicator," says Mr Boyle.

Federal Reserve figures bear this out. In June, banks' commercial and industrial loans averaged $594bn, a slight recovery after a steady decline in the six months to March, but still below year-ago levels.

Bank lending has picked up in the states that have seen the quickest return to economic health. NationsBank, the North Carolina-based bank which has vaulted by acquisition into the country's top five, reported "accelerating loan growth" towards the end of the second quarter, with total loan balances up by more than 10 per cent on a year earlier. At Banc One, based in Columbus, Ohio, new residential mortgages and consumer loans helped to push up lending in the three months at an annualised rate of 14 per cent.

For banks which lend to large companies, loan growth may not return even with economic recovery. The first six months of this year saw US companies borrowing $216bn through the securities markets – nearly three quarters as much as they borrowed in the whole of 1992, a record year for debt issuance.

Not surprisingly, a growing number of US commercial banks have been pushing for powers to underwrite securities transactions. NationsBank recently became only the third, after JP Morgan and Bankers Trust, to be given access to both the debt and equity markets. Chase, Chemical and Citicorp, can underwrite only debt securities.

Starved of loan business, banks have been adding to their already large holdings of US government bonds. During June these holdings averaged a massive $701bn. This mountain of bonds is now a third as big as the banks' total lending. With the US yield curve remaining steep, banks can continue to make an easy turn sitting on long-dated Treasuries and funding their positions with short-term money.

A sharp change in the shape of the yield curve as the US recovery gathers momentum could eat into this income stream. It could also leave some banks sitting on big capital losses – though it would be surprising if they had not hedged at least part of their bond holdings.

So where might the next disaster to hit US banks come from? A change in the yield curve is one possibility. Another, according to more sceptical observers, is the derivatives markets – one of the few areas where banks are taking on additional credit exposure. The banking industry shrugged off such fears in a report by the Group of 30 last month.

The dull truth is that there may be no disaster waiting to happen – but no big new source of profits growth either. With domestic lending suppressed, international ambitions clipped after unprofitable 1980s forays and the US securities markets largely beyond their ambit, income growth could be negligible.

That will put greater pressure on big banks to cut costs and, maybe, to continue the wave of mergers which has begun to eat into the sector's overcapacity. It may sound dull, but after the traumas of the past decade, few bank chairmen will complain about that.

Barlow Rand to break in four

By Philip Gawith in Johannesburg

BARLOW Rand, South Africa's largest industrial company, yesterday announced details of a corporate restructuring which will see the group broken up into four separate parts.

The announcement comes a week after Gencor, the country's second largest mining house, announced details of plans to break itself up.

It is not, however, expected to herald an unbundling trend among the country's big groups. Anglo American and Rembrandt, two of the largest conglomerates, both recently said that they had no such plans.

Although there are political pressures, notably from the ANC, for the big groups to unbundle, there is no indication that this was a factor in Barlows' decision. Barlows had hinted in late June at an unbundling.

The four parts will be:

- The rump of Barlows, which will include a 79 per cent holding in J Bibby & Sons, the group's offshore arm, a 60 per cent holding in Pretoria Portland Cement and wholly owned businesses ranging from domestic appliances to capital equipment;
- CG Smith, which will have a consumer focus and include the group's food, pharmaceuticals, packaging and textiles interests;
- Reunert, which will focus on electronics and information technology;
- Rand Mines, whose main asset is a 71 per cent stake in Randcoal, one of the country's main coal houses, and Rand Mines Properties (RMP).

Existing Barlows shareholders will receive separate shares in CG Smith, Reunert, Rand Mines and RMP.

To repay debt and build up funds after its reconstitution, Barlow Rand will raise R607m ($180.6m) by selling 7.5 per cent of the share capital of CG Smith, Reunert, Rand Mines and RMP shares, to Old Mutual, its largest shareholder.

Various transactions are also being made to consolidate information technology and consumer electronics interests in the Reunert group after the break-up.

The restructuring follows a long period of relative underperformance by Barlows and the move has widespread approval from the investment community.

A detailed announcement will be made by September 30 and the proposals should be implemented by the end of February 1994.

Fourth-quarter rise at Sara Lee

By Nikki Tait in New York

SARA LEE, the Chicago-based food and consumer products company, yesterday reported an 11.8 increase in fourth-quarter profits to $190m after tax. Sales advanced by 13.3 per cent to $3.85bn.

The final-quarter's results left Sara Lee posting an underlying 12.9 per cent advance in earnings per share to $1.40 for the 12 months to July 3.

Net profits actually showed a small fall from $761m to $704m, but the previous year's results included a one-off pre-tax gain from the sale of the over-the-counter drugs business, only partially offset by some restructuring costs. This added a net $222m to the 1991-2 results at the pre-tax level.

In the final quarter, the only weak division was personal products, where operating profits fell by 4.3 per cent to $144m, on sales 12.8 per cent higher at $1.54bn.

Sara Lee, which takes in brand-names such as Hanes, L'eggs and Dim, said that markets were depressed in Europe, especially in the hosiery area.

Elsewhere, operating profits on the household and personal care side surged by 45.7 per cent to $48m, on a 4.7 per cent sales gain to $351m.

The group said that this reflected increased sales of higher margin "core category products and improved operating efficiencies".

On the food side, the packaged meats and bakery division advanced by 6.4 per cent, to an operating profit of $93m, on sales up by one-fifth at $1.44bn.

The coffee and grocery business improved operating profits by 9.2 per cent to $66m, with sales rising by 3.7 per cent to $517m.

For the year overall, Sara Lee saw a 10.1 per cent advance in sales to $14.6bn. The company's shares advanced modestly on the results, adding $¼ to $22.

● Capital Cities/ABC, the US media group, is acquiring Expansion Publishing Group, which operates four publishing franchises in Mexico City, Reuter reports from New York.

The acquisition includes Expansion, a bi-weekly business magazine that is the flagship of the company.

The magazine was ranked number one in advertising pages in Mexico by a wide margin in 1992, and would rank 18th in Advertising Age's ranking of top magazines in the US, the companies said.

Terms were not disclosed.

New drug sales bolster Chugai Pharmaceutical

By Emiko Terazono in Tokyo

CHUGAI Pharmaceutical, a leading Japanese drugs company, has attributed a rise in mid-term profits to brisk sales of its new renal anaemia drug.

Chugai's non-consolidated pre-tax profits for the six months to June rose 10.2 per cent, to Y6.3bn ($60.29m), on a 6.4 per cent rise in sales to Y73.1bn. After-tax profits jumped 40.5 per cent to Y2.9bn, although the previous year the company recorded the losses on affiliates' investments.

Sales of Chugai's renal anaemia drug, which rose by more than 30 per cent for the first half, offset costs from the company's equity-linked financing, it said.

The increase in sales of newly-developed drugs, which have larger margins than existing products, made up for sharp falls in sales of ethical and over-the-counter drugs.

For the full year to December, Chugai expects financial investments to contribute to profit growth.

The company projects a 16 per cent rise in pre-tax profits, to Y17bn on a 5.4 per cent increase in annual sales to Y151bn. After-tax profits are expected to rise 42.9 per cent to Y7.5bn, and Chugai plans to increase its annual dividend payment to Y9 per share from Y7.5.

Showa Denko in red after damages charge

By Gordon Cramb in Tokyo

SHOWA DENKO, the Japanese chemicals producer which is being forced to settle damages claims in the US as a result of blood disorders caused by a dietary supplement it marketed there, took an extraordinary charge of Y46.18bn ($442m) in the half-year to June to cover the suits.

The company was able to offset more than half of this by selling land and other assets, which brought in Y24.28bn, but it still suffered an interim net loss of Y17.24bn, compared with earnings last time of Y1.09bn.

The food additive, L-tryptophan, was withdrawn in 1989. More than 1,500 Americans were affected, of whom some 30 died.

Showa Denko has been hoping to settle the bulk of the legal cases this year.

Its mainstream businesses, meanwhile, suffered from the economic downturn in Japan. Parent company first-half sales were down 9.5 per cent to Y235.3bn and pre-tax profits were halved to Y1.42bn from Y2.84bn.

For the full year, Showa Denko forecast sales down 7.6 per cent to Y470bn, and a break-even at the pre-tax level, where in 1992 it earned Y3.36bn, but said it could not make a projection for net earnings.

No dividend has been paid since 1990.

May stores climbs to $117m in real terms

By Nikki Tait

MAY Department Stores, one of the largest department store operators in the US, yesterday reported an underlying 22 per cent increase in second-quarter earnings per share, at 44 cents, in the three months to end-July.

May's actual after-tax profits for the period fell from $393m to $117m, but the 1992 results were boosted by a one-off gain of $298m pre-tax.

Had this been excluded, May said second-quarter after-tax profits would have risen from $95m to $117m year-on-year.

May's sales overall rose from $2.31bn to $2.5bn, with $513m, against $452m, coming from the Payless ShoeSource division, and $1.99bn, compared with $1.86bn, from the department stores.

During the quarter, May opened a new Kaufmann's department store in Syracuse, New York, and a net 70 new Payless shoe stores.

May, which recently outlined wide-ranging expansion plans, said it would open another 11 department stores during the remainder of 1993, and add about 150 Payless outlets by the end of its current financial year.

The second-quarter results mean May's after-tax profits for the first half of the year stand at $213m, with sales rising to $4.82bn from $4.51bn.

Earnings slide at gold producer

CAMBIOR, the international gold producer, saw second-quarter revenues climb 26 per cent to C$66m (US$51.50m) but net profit slip, mainly because of higher costs. Net profit was 8 cents a share against 16 cents a year earlier, writes Robert Gibbens in Montreal.

Cross Harbour Tunnel plans HK$830m rights

By Simon Davies in Hong Kong

THE Cross Harbour Tunnel Company (CHT) plans to raise HK$830m (US$107m) from a one-for-two rights issue at HK$13 a share to fund construction of Hong Kong's new Western Harbour tunnel, which received approval from China in June.

It is the first private financing for a core project in Hong Kong's HK$165bn airport development programme. CHT has a 37 per cent interest in the Western Tunnel, with Chinese partners Citic and China Merchants.

The rights offer is being made at a 35 per cent discount to last night's closing price of HK$20.10 per share. The Wharf Group, which owns 27 per cent of CHT, has agreed to take up its share of entitlements in the issue.

The new tunnel is estimated to cost HK$7.5bn and must be completed by August 1997 since it will link with the expressway leading to Chek Lap Kok airport. The airport is due to open in mid-1997.

CHT will inject HK$922m in equity into the project and additional loan finance is being finalised.

The company constructed the first tunnel to link Hong Kong Island with the Kowloon peninsula. It was launched on a 30-year operating franchise and reverts to the government in August 1999.

It also owns 70 per cent of the highly profitable Hong Kong School of Motoring, but the company's main income in the future will come from the new tunnel.

The franchise for the Western crossing has been described by some politicians as overly favourable to the operators, who are guaranteed toll increases giving a minimum return on equity of 15 per cent.

Pfizer costs taxation changes

By Richard Waters in New York

PFIZER yesterday became the first US drugs company to quantify publicly the cost of the Clinton tax changes on its business, saying its effective tax rate would rise from an expected 26 per cent this year to 30 per cent in 1994.

Like other drugs companies, Pfizer manufactures many of its products in Puerto Rico and so will be hit by a reduction in the tax relief on operations located there.

The reduction in this relief, available under Section 936 of the US tax code, makes the drugs industry one of the biggest losers from last week's tax package.

Pfizer said that, although the effect of the tax change was unlikely to come as a surprise, it was significant enough to warrant a statement. The company's shares lost $⅝ to 58⅝ by midday in New York.

Meanwhile, Abbott Laboratories, a US manufacturer of healthcare products, said the tax changes would add $50m to its tax bill next year.

The company, which had net earnings last year of $1.2bn, said the increase was due to the Section 936 change and the one percentage point increase in the corporate tax rate.

It added, however, that a research and development tax credit would partially offset the increase.

Charter Medical sells hospitals

By Richard Waters

CHARTER Medical, the US hospitals company which emerged from Chapter 11 bankruptcy protection last year, yesterday announced the $340m sale of 10 hospitals as part of its efforts to reduce borrowings.

The sale of the 10 general acute care hospitals, to Quorum Health Group, will leave the company with 78 psychiatric hospitals and a focus on mental health care, Charter said.

Following its move to pay off $50m of senior debt recently, Charter said the disposal would leave it with $429m of debt. In the three months to the end of June, Charter's operating profits edged ahead on higher turnover, from $63.5m to $66.3m.

However, the amortisation of charges related to its financial restructuring last year, which followed a disastrous leveraged buy-out in 1988, led to a net loss for the period of $5.2m. The amortisations will continue until the end of 1995, Charter said.

Mr Mac Crawford, chairman, said: "The sale is consistent with Charter's previously stated objective of reducing debt and its continued focus on being a major provider of mental health care services."

Petrofina warns of profits decline for first half

By Lionel Barber in Brussels

PETROFINA, the oil group which is one of Belgium's largest industrial companies, yesterday warned that consolidated profits in the first half were likely to tumble to BFr3.8bn ($105m) compared with BFr4.16bn last time.

The warning came with a forecast that cash-flow for the first six months of 1993 was also likely to be reduced from BFr19bn to BFr15.5bn. Turnover was also down from BFr270bn to BFr265bn.

Petrofina blamed the "persistent depression" in all industrial sectors in Europe and the US, particularly in chemicals. Margins in the first quarter were extremely weak in refining and petrochemicals, while crude oil prices declined progressively, the company said.

In chemicals, US profits offset losses in Europe, although profitability remained below the first half of 1992. Although the European refineries enjoyed a recovery in margins, these were reduced by a four-week strike at the company's Antwerp refinery.

Results for the first half include BFr2.5bn in gains from sales of gas properties in the US and real estate in Belgium. They also include BFr500m in accelerated depreciation and restructuring costs.

By comparison, the 1992 half-yearly results included a write-back on a provision on stock amounting to BFr1.3bn.

Petrofina said it hoped the slow reduction in interest rates and the rise in the value of the dollar at the end of the second quarter offered some hope of a recovery.

Petrofina was the subject of takeover speculation earlier this year, following a decision to cut its dividend for the first time since 1959, after consolidated profits fell 72 per cent to BFr4.6bn in 1992.

Between 1991 and 1992, the company's workforce has fallen from 17,131 to 15,490. Petrofina said new facilities for the deep conversion of crude oil were in line with budgets and 40 per cent complete by the end of June.

Meanwhile, it was putting into effect a a three-year restructuring plan at the Antwerp refinery.

Argentine oil group nearly doubles net

YPF, Argentina's recently-privatised oil company, nearly doubled its first half net profits, despite a relatively small rise in sales, writes John Barham in Buenos Aires. First-half earnings were $230.3m on sales of $1.91bn. In the same period last year it earned $127m on sales of $1.81bn.

Analysts said that the results were in line with the market's expectations. The company said during its privatisation in June that it estimated 1993 earnings at about $600m. YPF's share price rose 2 per cent by midday on the news. At the end of June, the government sold 45 per cent of YPF for $3.04bn to local and international investors, making it Argentina's largest privatisation to date and one of the world's largest equity flotations this year.

The results seem to scotch fears held by some analysts that YPF would be unable to meet its profits targets. Privately, government officials said the company could raise earnings to $1.0bn next year as a result of strict management controls, wider margins and stronger export sales to Chile and Brazil.

US loan guarantees to back Pemex bond issue

By Damian Fraser in Mexico City

PETROLEOS Mexicanos (Pemex), Mexico's state oil company, will use its first loan guarantees granted by the US Eximbank in 15 years to securitise a $348m public bond offering.

Pemex has been given loan guarantees of $379.2m to finance US drilling services and heavy marine construction in two fields in Campeche Sound, west of the Yucatan peninsula. While holding on to exploration rights, Pemex is inviting foreign and domestic oil firms to develop fields on a turn-key basis.

Under the transaction, Pemex will borrow money from a facility set up by the Union Bank of Switzerland (UBS) and guaranteed by the Eximbank. UBS will then use the facility to securitise up to $348m of bonds. The bonds would have a triple A rating and a seven-year maturity.

Pemex described the deal as "a milestone of great importance". The transaction concludes lengthy negotiations with the Eximbank and would mark the first time a Mexican company has used loan guarantees to securitise public bonds, a way of lowering financial costs.

Pemex had hoped to borrow about $750m but the fields in the Campeche Sound proved less extensive than once thought. However, the US Eximbank is considering granting Pemex two further loan guarantees of $500m and $200m respectively. Pemex also intends to use these loans to securitise public bonds, says Rene Schmed of UBS.

Pemex was instrumental in persuading the Eximbank and US Securities and Exchange Commission to allow loan guarantees to secure bond offerings. In the handful of such deals the Eximbank has recently completed, secured bonds trade about 40-50 basis points over Treasuries, according to UBS.

● Banco Union, said net profit for the first half of 1993 was 115m new pesos, a 314 per cent rise over the corresponding year-earlier period, Reuter reports from Mexico City.

The bank reported a 93.5 per cent increase in assets to 14.2bn new pesos and said loans had increased by 32.8 per cent since the end of 1992 to 11bn new pesos.

UK media transmitter may seek flotation

By Raymond Snoddy in London

NATIONAL Transcommunications, the UK's privatised engineering and transmitter arm of the old Independent Broadcasting Authority, is likely to seek a stock market flotation next spring.

The Hampshire-based company was bought in October 1991 by Mercury Asset Management, the fund management arm of SG Warburg, for £70m ($104.3m).

The beginning of January is the first permissible date for a flotation, which would raise money partly for an acquisition.

The flotation could mean a windfall for NTL management, headed by chief executive Mr John Forrest. About 60 per cent of the 740 staff have shares in the company.

NTL's main business is transmitting Britain's commercial television channels and radio stations. It is expected to have a turnover of £90m next year and profits of around £15m.

However, the company has increasingly moved away from its basic activity, involving 51 high-power transmission stations and 912 local relay stations. Already 40 per cent of revenue comes from business developed since privatisation, and the company hopes this will rise to 50 per cent by next year.

One of the fastest-growing areas is digital compression technology, where the television signal is turned into digital form. The signal is then compressed by removing unnecessary information so that a number of channels can be carried in the space previously occupied by one.

NTL's customers include FilmNet, the European satellite television operator which plans to run three films on a single satellite transponder. Digital compression greatly cuts the costs of running both satellite and cable television channels.

NTL is also interested in entering the consumer end of the market through the development of decoders.

Swedish air crash hits sector's shares

By Christopher Brown-Humes in Stockholm

SHARES of leading Swedish companies linked to the country's military aerospace programme fell sharply yesterday after the spectacular crash of a JAS 39 Gripen fighter aircraft during an air display over central Stockholm on Sunday.

The high-profile accident, in front of TV cameras and thousands of spectators at the city's annual water festival, casts a shadow over the future of the JAS project - and over Sweden's entire military aerospace programme. The project was already well behind schedule and over budget.

Shares in Investor, the key Wallenberg holding company, fell hardest, dropping nearly 5 per cent to SKr139. Investor owns Saab-Scania, which is the leading participant in the JAS manufacturing consortium along with Volvo Flygmotor, Ericsson Radar Electronics, and FFV Aerotech (part of the newly-privatised Celsius group). Volvo's B shares fell SKr7 to SKr439 in early trading, although they later recovered some ground to end the day at SKr442. Celsius shares eased SKr2 early on, but closed unchanged at SKr155.

The crash will increase the project's cost – which already exceeds SKr60bn ($7.6bn) – and add to the delays caused by the crash of a prototype JAS aircraft during its development phase in 1989. Only if the latest accident can be blamed squarely on pilot error will the consortium be able to avoid further rigorous testing and possible system changes.

"We are looking at a minimum delay of half a year," said Mr Kjell Göthe, information officer for Swedish defence minister Anders Björck yesterday. He indicated that the extra costs would be borne by the manufacturers, not the government, although these would be subject to discussion.

The JAS programme is well advanced, with orders for 140 aircraft from the Swedish air force already in place. For this reason alone the government is almost certain to resist calls for the project to be scrapped. Ironically, the first aircraft to be delivered, amid much pomp and ceremony in June, was the one which crashed on Sunday.

The greater danger is that the manufacturers will now find it harder to win the export orders they need to make the JAS programme a commercial success.

Consortium members have said they are aiming for orders for a total of 500 aircraft in the next 10 to 20 years. Although they have never identified potential export markets, countries in south-east Asia, Latin America, and central and eastern Europe, have all been mentioned. There was bitter disappointment last year when the Finnish government opted to buy 57 new F18s from the US group McDonnell Douglas rather than from the JAS.

Even before Sunday's crash, there were questions as to whether Sweden could maintain a viable military aerospace industry on its own, for all its undoubted high technological expertise. Greater emphasis has been placed on co-operation with foreign groups, and talks have been held with British Aerospace, Dassault of France, and Germany's Dasa, among a number of US and European defence companies.

Mr Hans Ahlinder, managing director of the JAS industry group, said he could not say what impact the crash would have on the aircraft's costs and delivery schedule until investigators had established the cause of the accident. Investor also declined to comment, pending the investigation's outcome.

Papermakers turn over a new leaf

Gordon Cramb examines a Japanese industry which is attracting trade authority scrutiny as it consolidates

OJI PAPER, the pre-war giant of Japanese papermaking, is having to shrink a bit in order to grow again.

As a downturn in prices and demand prompts a consolidation in the industry, which like others was broken up during the US occupation, the country's paper market is attracting the attention of trade authorities in Washington and Tokyo.

Oji and Jujo Paper, which was spun off from it in 1949 as part of the dismantling of the *zaibatsu* industrial groups, have in the past year embarked on mergers with other producers in an attempt to tackle overcapacity.

In April, Jujo joined with Sanyo-Kokusaku Pulp to become Nippon Paper Industries, and Oji is to unite in October with Kanzaki Paper to form New Oji Paper. The two combines will vie for leadership of the industry.

Analysts see modest advantages in the moves. A larger group will be able to concentrate operations on the more efficient of its mills while being better able to shift production around the country to minimise transport costs, says Mr Masato Makiyama, of Salomon Bros in Tokyo. Significant job cuts, however, may be achievable only over time, if at all.

Oji has recently announced several divestments, which it said were designed to avoid falling foul of the country's anti-trust law. New Oji will, within two to three years, reduce its stakes in Japan Pulp and Paper and Daiei Papers, two companies which trade in paper and which would each do more than one-third of their business with the merged group. The move comes at the behest of Japan's Fair Trade Commission (FTC).

In the case of Japan Pulp and Paper, which has a first section Tokyo listing, a 5 per cent holding in the company would be sold – at the current market price it would yield some Y4.9bn ($47m). New Oji would still own more than 11 per cent of the company.

Last month, Oji said it would divest production of certain quality coated papers to meet monopolies requirements before the merger. It is transferring production facilities and marketing rights for two types of specialist paper, used for magazine and book covers, to Chuetsu Pulp and Paper, in which Oji is the biggest shareholder with 7.6 per cent. A final sale to Chuetsu, the 12th biggest papermaker, would take place after three or four years.

Kanzaki has specialised in coated papers, in which it has a larger market share than Oji. Together, they account for more than one-quarter of the domestic market in that sector, a level which would attract regulatory scrutiny.

The FTC said a remaining issue was Oji's stake in Chuetsu, which should eventually be sold – in the market the value of the holding is about Y4bn. In the meantime, Oji had expressed willingness not to use its position to attempt to influence the smaller producer. Oji also said it planned no further disposals.

Mr George Bush put the Japanese paper market on the agenda for the first time during his visit to Tokyo as US president last year, maintaining that US producers faced barriers to market entry. One swift result was that foreign companies were given more than one-third of the orders for telephone directory paper placed by Nippon Telegraph and Telephone, the semi-privatised telecoms giant. Jujo, as a result, missed out on sales put by one estimate at Y5bn.

The distribution companies also agreed to strengthen trading ties with foreign producers, which have hitherto accounted for less than 4 per cent of the Japanese market, with sales largely of low value-added products.

Although transport costs and the just-in-time delivery requirements of Japanese printing companies are thought likely to continue to inhibit foreign companies some fear the Clinton administration may press for numerical targets on imports, as in some other industries.

For domestic producers, such a move could hardly come at a worse time.

INTERNATIONAL CAPITAL MARKETS

Cut in French overnight rate fails to impress

By Sara Webb in London and Patrick Harverson in New York

AFTER the European exchange rate excitement and bond market rallies of the last week, the continental fixed-income markets slipped back yesterday on disappointment at the lack of any substantial interest rate cuts.

The Banque de France snipped 25 basis points off its overnight rate, from 10 per cent to 9.75 per cent. But, much to the market's disappointment, it left the five-to-10-day rate unchanged at 10 per cent, and the bond market edged lower.

GOVERNMENT BONDS

Some analysts had expected to see the five-to-10-day rate lowered to 7.75 per cent – where it was before the ERM crisis – and many market participants were disappointed that the central bank had not acted more swiftly to bring down interest rates, given the new 15 per cent fluctuation bands in the European exchange rate mechanism.

The Matif's September futures contract ended at 121.92, down 0.18, while the 10-year OAT yielded 6.37 per cent, against 6.36 per cent at its previous close.

■ GERMANY started the day on an upbeat note, with the Liffe bund futures contract opening at 97.26 and quickly reaching its high of the day at 97.38. However, bunds drifted lower as the market digested weekend press comments from Mr Johann Wilhelm Gaddum, Bundesbank council member.

Mr Gaddum warned against growing German rate cut hopes and added that it was by no means certain that the Bundesbank would set a variable rate tender for securities repurchase funds this week.

Dealers said the market would be watching this week's repo closely to see if the rate fell from last week's minimum rate on one-month repo funds of 6.70 per cent - five basis points below the discount rate.

■ US TREASURY prices firmed at both ends of the market yesterday morning, sending long yields to new record lows.

In early afternoon trading, the benchmark 30-year government bond was up 3/32 at 108¼, yielding 6.475 per cent, a new all-time low. At the short end of the market, the two-year note was up 1/32 at 100 11/32, to yield 4.050 per cent.

In light trading, prices firmed from the start, buoyed by Friday's approval by the Senate of President Bill Clinton's deficit-reduction package.

Traders reported strong interest from overseas investors, especially by the Brazilian government, which was said to need zero-coupon bonds to collateralise its debt agreement with commercial banks.

Sentiment was also aided by expectations of good demand at this week's auction of $11bn in 30-year bonds.

It will the be last bond auction this year, and investors are said to be keen on the issue in spite of low interest rates. The bond was at a record low yield of 6.428 per cent in when-issued trading yesterday.

■ THE combination of sterling weakness and new supply initially depressed the UK gilts market, although prices later recovered and the Liffe futures contract ended the day little changed at 111.15.

Dealers said the July producer price data, released yesterday, was in line with market expectations, confirming the favourable inflation background.

However, the Bank of England's announcement on Friday afternoon of a total of £1.5bn in assorted tap stocks dampened sentiment, according to some dealers.

■ JAPANESE government bonds made strong gains, responding favourably to the US Senate's approval of President Clinton's deficit-cutting proposals and positive statements on the domestic front by the new finance minister.

"The budget news is good for the US Treasury bond market and therefore for the JGB market, too," said one dealer.

Comments by Mr Hirohisa Fujii, finance minister in new prime minister Mr Morihiro Hosokawa's coalition cabinet, also helped to lift the market. Mr Fujii said that he opposed issuing deficit-financing bonds in order to fund a cut in income tax.

The September futures contract rallied to close at 111.80, the highest level since late February, having opened at 111.13.

In the cash market, the benchmark 10-year issue ended at a yield of 4.125 per cent, having ranged from between 4.115 and 4.185 per cent.

Dealers said the market remained buoyed by hopes that the Bank of Japan would soon cut its official discount rate, currently 2.5 per cent.

FT FIXED INTEREST INDICES

	Aug 9	Aug 6	Aug 5	Aug 4	Aug 3	Year ago	High *	Low *
Govt Secs (UK)	100.83	100.39	99.97	99.80	99.88	88.28	100.83	83.28
Fixed Interest	121.44	121.18	120.32	120.03	119.88	104.49	121.44	106.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 121.44 (9/8/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Aug 6	Aug 5	Aug 4	Aug 3	Aug 2
Gilt Edged Bargains	139.6	141.0	125.0	185.0	123.9
5-Day average	142.9	142.5	138.2	142.5	130.0

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	116.0819	+0.786	6.85	6.85	7.13
BELGIUM		8.000	03/03	113.1200	-0.430	7.07	7.08	7.07
CANADA *		7.500	12/03	103.5950	+0.580	7.00	7.12	7.14
DENMARK		8.000	05/03	108.7250	+0.160	6.75	6.72	7.08
FRANCE	BTAN	8.000	05/98	108.8251	-0.358	5.78	5.89	6.23
	OAT	8.500	04/03	114.4300	-0.370	6.44	6.47	6.82
GERMANY		6.750	04/03	102.5200	-0.070	6.39	6.51	6.55
ITALY		11.500	03/03	108.2900	+0.315	10.36†	10.78	11.07
JAPAN	No 119	4.800	06/99	104.6711	+0.148	3.83	3.81	4.03
	No 145	5.500	03/02	108.9697	+0.342	4.14	4.16	4.30
NETHERLANDS		7.000	02/03	105.5200	+0.040	6.20	6.31	6.42
SPAIN		10.300	06/02	103.9621	-0.240	9.60	9.84	10.25
UK GILTS		7.250	03/98	103-12	-	6.39	6.52	6.66
		8.000	06/03	106-16	+3/32	7.07	7.32	7.40
		9.000	10/08	115-18	+8/32	7.50	7.75	7.92
US TREASURY *		6.250	02/03	103-08	+13/32	5.81	5.84	5.73
		7.125	02/23	105-14	+20/32	6.48	6.57	6.68
ECU (French Govt)		8.000	04/03	106.7300	-0.160	7.01	7.30	7.17

London closing, *denotes New York morning session. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Trading shake-up planned in Portugal

PORTUGAL plans to set up a futures market in fixed-rate treasury bonds by the end of 1994, but first the government wants to streamline and simplify cash market trading, said Mr Manuel Pinho, treasury director, Reuter reports from Lisbon.

"It is very probable that by the end of 1994 the national futures market will be ready," he added. Dealers say that any prolonged delay will encourage banks to go ahead with alternative plans to establish a bond futures contract offshore, probably in London or Frankfurt.

Bankers Trust and Banco Portugues do Investimento took a step in this direction last month by launching a nine-month warrant on the Frankfurt stock exchange linked to five-year Portuguese treasury bonds.

Mr Pinho said the finance ministry would cut trading costs and boost turnover in the cash market by the end of 1993.

"Basically, the futures market must be supported by a cash market in fixed-rate bonds that has depth and liquidity," the treasury director said. The cash market would have to adopt tax regulations in line with more developed markets.

Mr Pinho hinted in June that the government might exempt non-residents from withholding taxes of 15 to 20 per cent on all bond and share transactions in Portugal.

He also said the government might shift the reference date for interest payments on bonds to the transaction date from the settlement date, which is four working days later.

Government sources said the treasury was also looking at the establishment of a new inter-bank market for bonds, outside the confines of Portugal's two stock exchanges, where dealing would be simpler and costs lower.

Portugal began issuing fixed-rate treasury bonds in 1991, and the market accounts for more than three-quarters of turnover on the Lisbon and Oporto exchanges.

Foreigners' fears drive Argentina's modernisation

By John Barham in Buenos Aires

ARGENTINA is attempting to improve the poor reputation of its capital markets in an attempt to accelerate the inflow of much-needed foreign capital.

Some foreign investors complain bitterly about being "cheated" by brokers and companies. They claim company accounts are misleading and profits concealed for the benefit of majority shareholders.

But Argentina has scrapped exchange controls, deregulated markets, and offered privatisations and private bond issues. It is trying to impose modern trading and disclosure standards, following the leads of Chile and Mexico, Latin America's free-market trail-blazers.

In April, the Comision Nacional de Valores (CNV), the securities watchdog, sent a bill to Congress that legally defines for the first time offences such as market manipulation or insider trading.

The bill proposes heavy fines – a minimum of $5m for market manipulation, for instance (the current maximum fine is a mere $7,919). However, the bill is making little progress, largely due to the quiet opposition of the financial industry.

Meanwhile, the CNV is doing what it can by using its administrative powers. Mr Martin Redrado, the commission's president, has initiated 86 investigations, stopped three public offerings, temporarily suspended 12 brokers and issued 66 warnings to companies.

The CNV now requires bond issuers to be checked by independent credit-rating agencies. There are now seven such agencies in operation, usually in alliance with respected overseas names like the UK's IBCA.

The agencies seem to have overcome some foreign bankers' misgivings about their independence and ability. Only two borrowers – Dutch-owned Banco Holandes Unido and Banco Rio, Argentina's biggest private bank – have received triple-A ratings. Most others range between double-A and triple-B.

However, Mr Christopher Ecclestone, a Buenos Aires-based analyst, says that ratings for some companies are still far too generous.

Mr Redrado has also publicly rebuked companies which publish inadequate accounts. However, the CNV is split between trying to be referee and cheerleader at the same time.

The commission took a leading role in last year's $1.2bn flotation of Telecom Argentina, a privatised telephone company, which soon lost 30 per cent of its value. The Telecom flop helped precipitate last June's market collapse and cast a shadow over both the market and the CNV.

The CNV is understaffed and underfunded and – in spite of one investigation into a suspected case of market manipulation – has not uncovered any evidence of large-scale cheating. Even when it has caught relatively minor offenders, it has been unable to apply more than symbolic punishment.

However, the bigger, tougher and better-financed DGI tax department is making an important contribution to transparency in its war against tax evasion.

It has put businessmen behind bars, closed companies and imposed hefty fines. This has encouraged companies to declare more of their income to the tax collector, and thus to small shareholders, too.

The drift to screen-based trading makes it easier to detect immediately suspicious price movements. Soon, all but a few highly liquid shares which can continue to be traded on the Buenos Aires stock exchange floor will have to be traded electronically.

Perhaps the greatest obstacle to modernisation is the resistance of the market itself. Insider trading is common because few brokers consider it immoral, let alone an offence.

But the greatest force for change is coming from overseas. Cash-hungry Argentine companies are approaching international markets in increasing numbers, and are having to conform with stricter disclosure and accounting norms.

Deutsche Bank four-year deal dominates quiet day

By Antonia Sharpe

DEUTSCHE Bank provided the main focus of activity in a quiet start to the week for the international bond market, borrowing DM1bn through an offering of four-year Eurobonds.

INTERNATIONAL BONDS

In contrast to last week, when Denmark raised a record £1.3bn in the sterling Eurobond market, syndicate managers said they expected the market to remain uneventful for the rest of the week as investors and borrowers take their summer holidays.

Deutsche Bank's bonds were priced to yield 11 basis points above the series 101 of medium-term German government bonds and traded inside fees shortly after the launch, the bank said.

Demand came from investors in Germany, Switzerland and the Benelux.

Meanwhile, the World Bank has made progress on the legal framework for its first D-Mark global bond and expects to raise around DM3bn through the offering later this year, market conditions permitting.

The Bank also plans to issue another dollar global bond at around the same time.

Mr Hans Rothenbühler, head of the Bank's European currency borrowing division, said the launch of the D-Mark global bond had been delayed by legal issues arising from the unprecedented attempt to link the German and US domestic clearing systems.

"We should have everything in place in the autumn," he said.

He added that the lead managers for the D-Mark deal – most likely to be one German and one non-German bank – would be announced in the coming weeks. The maturity of the bonds would be decided closer to the launch.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
D-MARKS							
Deutsche Finance (Neths.)	1bn	6	101.75	Sep.1997	1.75	-	Deutsche Bank
YEN							
Crediop O'seas Bank (Cayman)‡	10bn	(a)	100R	Aug.1998	0.25R	-	Nomura International
SWISS FRANCS							
*Aderans Co.(b)**◊	70	0.875	100	Aug.1997	2.625	-	Nikko Bank (Switz.)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. ◊With equity warrants. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 3-month Libor + 0.4%. b) Fixing: 12/8/93.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on August 9

[illegible]

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RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	32	33	16
Other Fixed Interest	10	4	1
Commercial, Industrial	402	173	844
Financial & Property	325	67	427
Oil & Gas	34	10	47
Plantations	0	0	8
Mines	47	26	61
Others	49	42	47
Totals	899	345	1,451

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
5	Nil	25/8	1pm	1pm	Alliance Res.	[illegible]	+1/4
40	Nil	13/9	6pm	2pm	Bardon	[illegible]	+3/4
135	Nil	3/9	26pm	14pm	Birkby	20pm	
10	Nil	20/8	5½pm	2½pm	Britton	5½pm	+1/4
500	Nil	6/9	100pm	80pm	Clyde Blowers	80pm	
127	Nil	13/9	20pm	10pm	Headlam	10pm	
15	Nil	8/9	3pm	1½pm	Marling	2pm	-1/4
8	Nil	1/9	3pm	2½pm	Northumbrian Foods	2½pm	
5	Nil	8/8	1½pm	½pm	Premier Land	½pm	
130	Nil	16/8	35pm	20pm	Rubicon	33pm	
275	Nil	17/8	28pm	16pm	[illegible]	28pm	+9

Issue Price at a premium. † Price offered to public. For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Aug. 9
- Last Dealings Aug. 20
- Last Declarations Nov. 11
- For settlement Nov. 22

3-month call rate indications are shown in Saturday editions.

Calls: Anglo Pacific, Birse, Essex Furniture, How Group, Lloyds Bank, Shandwick and Waverley. Puts: Essex Furniture and Lloyds Bank. Puts & Calls: Kenick Res. and LIT Pref.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

[illegible]

August 9 Total Contracts 19,086
Calls 12,078 Puts 6,820
FT-SE Index Calls 2,228 Puts 1,956
Euro FT-SE Calls 496 Puts 861
*Underlying security price. †Long dated expiry months. Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Mon Aug 9	Day's change %	Fri Aug 6	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	128.81	-0.01	128.68	1.42	7.40
2	5-15 years (23)	153.81	+0.06	153.71	1.75	8.42
3	Over 15 years (9)	171.56	+0.60	170.54	1.70	7.32
4	Irredeemables (6)	198.92	+1.11	196.73	2.81	7.36
5	All stocks (63)	148.54	+0.16	148.32	1.65	7.96
	Index-Linked					
6	Up to 5 years (2)	186.85	-0.09	187.12	1.70	1.82
7	Over 5 years (11)	180.24	+0.01	180.23	0.69	3.29
8	All stocks (13)	180.97		180.96	0.89	3.05
9	Debs & Loans (65)	140.08	+0.06	139.95	3.00	8.05

	AVERAGE GROSS REDEMPTION YIELDS		Mon Aug 9	Fri Aug 6	Year ago (approx.)
	British Government				
1	Low	5 years	6.49	6.48	8.80
2	Coupons	15 years	7.34	7.36	8.93
3	(0%-7¾%)	20 years	7.40	7.56	8.93
4	Medium	5 years	6.62	6.61	9.48
5	Coupons	15 years	7.48	7.51	9.12
6	(8%-10¾%)	20 years	7.55	7.61	9.05
7	High	5 years	6.81	6.80	9.71
8	Coupons	15 years	7.72	7.76	9.32
9	(11%-)	20 years	7.75	7.79	9.22
10	Irredeemables (Flat Yield)		7.63	7.72	9.18
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.83	2.80	4.39
12	Inflation rate 5%	Over 5 yrs.	3.33	3.33	4.59
13	Inflation rate 10%	Up to 5 yrs.	2.08	2.06	3.68
14	Inflation rate 10%	Over 5 yrs.	3.18	3.15	4.38
15	Debs &	5 years	8.02	7.92	10.68
16	Loans	15 years	8.37	8.40	10.45
17		25 years	8.53	8.61	10.31

COMPANY NEWS: UK

On target to complete £100m divestment programme by October

Further sale nets Lucas £9m

By Paul Taylor

LUCAS INDUSTRIES, the engineering group which is refocusing on its core activities, is on target to complete a £100m divestment programme by the end of October.

This follows yesterday's sale of its aerospace engineering and heating systems businesses.

The Luton-based business, which has assets of £8.8m, employs over 300 people and had turnover of more than £17m in 1992, has been sold to a management-led buy-out team backed by UK financial institutions for £9m, and will trade under the new name Aerospace Composite Technologies.

The management buy-out of the engineering and heating business, which is mainly involved in manufacturing high technology aircraft windows and de-icing systems, means that three of the original four businesses identified for divestment in October last year have now been sold.

Lucas' UK Autocentres business was sold to Lex Service for £13m in March, the fluid power systems business went to Sophus Berendson for £40m the following month, and several smaller disposals have been completed during the year bringing the total raised through the divestments to about £70m.

The defence fabrications business based in Burnley, which manufactures missile cases, and an acoustic instruments company in Hertfordshire remain for sale together with the aerospace switchgear, ignition and wiring businesses in Coventry and Newcastle-under-Lyme which were added to the list of candidates for sale in March.

Proceeds of the sales are being ploughed back into Lucas' core operations in the aerospace and automotive markets rather than being used to reduce debt, and year-end gearing is expected to remain about 44 per cent.

Yesterday's sale to the existing management was the first MBO arranged by Lucas in conjunction with NatWest Ventures and Montague Private Equity, which co-led and jointly funded the institutional equity requirement for the new company.

The existing management, led by Mr Phil Barrington, managing director, has taken a minority shareholding in ACT and Bank of Scotland has provided debt and working capital facilities.

ACT is a leading supplier of high technology cockpit windows for aircraft, including windows with radar-defeating "stealth" coatings and de-icing equipment for aircraft including Concorde, Tornado fighters and the Westland's new EH101 helicopter. The company also manufactures electroluminescent lighting for aircraft and other applications.

Woolwich more than doubled at £88m

By John Gapper
Banking Editor

WOOLWICH Building Society, the third biggest society by asset size, yesterday disclosed that it had more than doubled pre-tax profits in the first half of the year helped by a 35 per cent increase in mortgage lending.

The society, which will be displaced as the third largest if Leeds Permanent and National & Provincial merge as planned next year, raised pre-tax profit to £88m (£36m) despite a 9.8 per cent rise in bad debt provisions to £72.7m (£66.2m).

Operating profit rose 51 per cent to £160.6m (£106.7m). It also disclosed that Woolwich Property Services, the estate agency subsidiary which is one of the largest in the south-east with 257 offices, was trading profitably.

Woolwich Property Services incurred a trading loss of £11m last year, halving the previous loss. Estate agencies are heavily dependent on transaction volumes for profit, and Woolwich said contracted sales were up 20 per cent.

Assets increased by 6 per cent to £24.4bn (£22.9bn), and gross mortgage lending rose 35 per cent to £1.6bn (£1.2bn). The increase in lending was partly financed by a 50 per cent rise in net retail receipts to £390m (£260m).

Mr Donald Kirkham, chief executive, said the boost in operating profit partly reflected the depressed state of the housing market last year. But the society was also "seeing encouraging signs of improvement".

The increase in income, combined with management expenses holding steady at £155.8m (£155.4m), lowered the society's comparatively high ratio of cost to income by 10 percentage points to 49.2 per cent (59.3 per cent).

The society raised its proportion of funding from wholesale markets to 22.7 per cent (21.7 per cent) as non-retail funds in creased to £4.9bn (£4.47bn). Retail funds from savers grew to £17.9bn (£17bn).

Westminster Health beats forecast with rise to £4.3m

By Maggie Urry

WESTMINSTER Health Care, the nursing home group, has beaten the profit forecast made at its flotation in April.

Pre-tax profits for the year to end-May were £4.28m compared to a forecast £3.85m and £1.67m in 1991-92. The shares, floated at 260p, rose 3p to 307p.

Mr Pat Carter, chief executive, said the Community Care Act, which came into effect on April 1, had boosted admissions in March, but caused a drop in April. The rate of admissions had improved since then and was back to the pre-March level.

The change to local authority – rather than central government – funding for patients in nursing homes, had led to some rise in prices, he said. The proportion of WHC's patients fully publicly funded had fallen from 58 to 48 per cent over the year, as WHC shifted the balance towards private patients, who are charged more, and contracted beds.

Mr Carter said the reforms were on balance beneficial, with local authority purchasers linking price to quality and paying a wider range of prices according to needs, for instance paying more for dementia sufferers. Also rates were varying geographically, allowing prices to rise in London and the south-east which had been poorly served in the past.

Falling land prices in these areas meant WHC was increasing the proportion of its homes in the south.

Group turnover rose 58 per cent, from £23.4m to £36.9m, partly through a 35 per cent increase in beds from 2,400 to 3,234 with 11 homes opening during the year, and through average price rises of 5 per cent.

Operating profits were £9.16m (£5.35m) and the net interest charge was £4.74m (£3.59m). The group received the £64m net proceeds of the float late in the financial year. Mr Kent Phippen, finance director, said borrowings were £52.5m at the start of the financial year, and rose by £26.8m as capital expenditure totalled £25.9m, but fell to £15m at the year end, thanks to the float proceeds.

Debt was 17.8 per cent of shareholders funds. Mr Phippen said this was projected to rise to over 30 per cent in the current year and to about 45 per cent in 1994-95. Capital spending in the current year was forecast at some £24m with another 716 beds due to open. A further 700 beds were planned in each of the next two financial years.

After a 15 per cent tax charge, earnings per share were 12.8p (5.3p) compared to the flotation forecast of 11.7p. On a pro-forma basis, if the group had had the float proceeds for the full year, earnings per share were 16p against a forecast of 15.6p. A 0.5p dividend is proposed, as forecast.

COMMENT

WHC has confirmed its position as one of the quality operators in the fast expanding long-term care sector with these results. The float coincided with a far-reaching shake-up in the industry, as the community care reforms came into effect, which has had a dampening effect on occupancy rates in the short term. However, WHC's homes are at the top end of the quality range and it should benefit from the long term trends in the market. The shift towards more private patients should help margins. Conservative forecasts for the current year are about £10.5m pre-tax, though some go to £11.3m. With a prospective p/e of 17, the shares are not cheap but still good value.

Govett & Co shows advance to $22.8m

By Philip Coggan,
Personal Finance Editor

PRE-TAX profits at Govett & Co, the fund management company, rose 23 per cent to $22.8m (£15m) in the six months to June 30, compared with $18.5m. Last year's figures have been adjusted to reflect a change in accounting policy at the group's US insurance subsidiary.

Income from the institutional fund management and mutual fund business grew from $6.34m to $8.37m, helped by stronger stock markets, increased mutual fund sales in the US and the launch of a new investment trust. Total funds under management are now $5bn, of which about $1.5bn represents retail money.

London Pacific, the US insurance subsidiary, reported more than doubled income of $8.24m ($3.36m), although $4m of that represented one-off capital gains. Total assets at London Pacific are now more than $800m.

Income from the venture capital arm fell from $3.7m to $3.41m. Govett said that growing fee business was offset by lower placement volumes. Investment income fell back to $4.19m ($6.69m) as a result of lower interest rates and the company's programme of buying back about 11m shares since mid-1992.

The buy-back programme, by reducing the amount of cash held in Jersey, has also resulted in an increased tax charge to $5.73m ($2.74m). Fully diluted earnings per share were 25.4 cents (20.3 cents) and the interim dividend is increased 5.3 per cent from 9.5 cents to 10 cents.

The company recently announced the acquisition of a US trust company and said it hoped to get a quote on the US Nasdaq exchange shortly.

Bakyrchik Gold ends first day 26p higher

By Kenneth Gooding,
Mining Correspondent

SHARES IN Bakyrchik Gold, which offers an investment in a gold mining venture in Kazakhstan, formerly part of the Soviet Union, went to a premium of more than 20 per cent when trading started yesterday.

London investors were asked to provide £9m by way of a placing by stockbrokers Williams de Broë of 7.5m shares at 120p each. The shares closed last night at 146p.

Mr Kevin Foo, BK Gold's London-based chief executive, said the issue had been oversubscribed and allocations to institutions in Europe had to be scaled down.

The promoters suggest that BK Gold is the only substantial "pure gold" company listed in London and that the flotation has provided an early opportunity to invest in Kazakhstan.

The company has a joint venture with the Kazakhstan government to develop the Bakyrchik gold mine, which has one of the world's biggest gold deposits on the republic's north-eastern steppes.

If the first phase goes well, BK Gold intends to raise a further £75m next year to increase annual gold production from 40,000 troy ounces to 230,000 ounces.

Minproc, the Australian natural resources and engineering group, and Chilewich, a New York trading organisation, between them own 50 per cent of BK Gold.

The chairman is Mr David Hooker, previously with Aberdeen Petroleum, while two former RTZ executives are on the board. Mr Andrew Buxton, once an RTZ main board director is a non-executive director and Mr Nicholas Bridgen, is the finance director.

MTM cuts deficit to £11.9m

By Catherine Milton

MTM, the chemicals company which in April sold most of its assets to reduce debt, yesterday announced a reduction in losses from £28m to £11.9m pre-tax in the six months to end-June.

The deficit bore exceptional charges of £9.64m (£9.34m).

MTM has been reorganised under a reshuffled board since its shares collapsed last year when a Serious Fraud Office enquiry was launched hard on the heels of the company making two profit warnings in March 1992.

Mr David Swallow, the new chairman, said the company, which has £10.8m in cash after the £100m sale of assets to rivals BTP, planned to invest in new categories of "science-based" businesses.

He said: "The figures have limited relevance to the company's on-going position with the exception of MTM Agrochemicals which remains within the group."

Turnover of £46.4m (£58.5m) included £32.5m (£45m) from discontinued operations. Turnover on continuing operations – MTM Agrochemicals – rose to £13.8m (£11.5m).

That business contributed an operating profit of £296,000 compared with losses of £10.3m in the previous period, which reflected provisions for permanent diminution in assets following a revaluation.

Mr Swallow said that seasonal fluctuations in demand for MTM Agrochemicals meant the second half would not match the first: "However, the board continues to expect the business to break even for the year as a whole."

Total operating profits were £1.51m (loss of £9.45m).

The £9.64m exceptional charge represented a £31.3m loss on disposal of discontinued operations, including £25.4m of goodwill previously written off, partly offset by a £21.7m provision made in 1992.

Net interest payments were £3.77m (£4.78m). Losses per share emerged at 60.6p, down from 157p.

Following a £28.9m debt into equity swap, net liabilities of £23.5m in the December 31 balance sheet had become net assets of £20m, or 77p per share, by the half-way stage.

There is again no interim dividend.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Govett & Co ....fin	10*	Sept 1	9.5	10	9.5
Mid Wynd Intl ....fin	3.6	Oct 22	3.6	6	6
W'minster Health ....fin	0.5	Oct 4	-	0.5	-

Dividends shown pence per share net except where otherwise stated. *US cents gross.

BM banking facilities extended

BM Group, the engineering concern, said yesterday that its principal bankers had extended the company's banking facilities for a further period to September 6 while discussions continued regarding suitable longer-term finance.

The company, which has debts of over £100m, is on schedule with its survival plan, which is expected to cost about £42m in redundancies, closures, disposals and write-offs.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 10.08.93: Pool purchase price £/MWh	Final Prices for Trading on 13.07.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	20.55	18.80	18.80
0100	20.39	18.05	18.05
0130	20.39	16.09	16.05
0200	20.39	18.18	18.18
0230	20.39	18.18	18.18
0300	20.39	18.18	18.18
0330	20.39	18.18	18.18
0400	20.39	18.18	18.18
0430	20.39	18.18	18.18
0500	20.39	18.18	18.18
0530	18.03	19.82	19.82
0600	33.00	18.18	18.18
0630	33.00	18.05	18.05
0700	33.00	21.11	25.88
0730	21.24	25.54	30.34
0800	25.02	25.56	30.28
0830	26.48	26.35	30.87
0900	26.82	26.88	31.81
0930	27.92	26.82	31.58
1000	27.98	26.85	31.60
1030	27.98	26.97	31.62
1100	27.98	27.01	31.66
1130	31.60	33.20	38.11
1200	32.28	34.64	38.50
1230	32.23	34.48	38.44
1300	32.19	34.37	39.24
1330	27.84	25.77	30.28
1400	27.37	25.73	30.23
1430	27.35	25.68	30.18
1500	26.50	25.68	30.18
1530	26.50	25.80	30.19
1600	26.61	25.73	30.24
1630	27.38	31.74	36.46
1700	32.05	36.55	41.36
1730	32.04	36.49	41.30
1800	32.02	36.37	41.21
1830	25.48	29.58	34.23
1900	25.47	25.68	30.20
1930	25.47	25.54	30.07
2000	18.48	25.11	29.69
2030	18.24	36.11	23.76
2100	18.82	31.08	35.77
2130	34.37	31.08	35.68
2200	34.37	33.76	38.36
2230	34.37	52.00	57.18
2300	34.37	34.00	34.00
2330	22.56	20.50	20.50
2400	20.80	19.07	19.07

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8.30am and 5.15pm Monday to Friday.
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COMPANY NEWS: UK

Aspects that may shape investor choice

Christopher Price examines the recovery potential of the hotel and leisure sector

THE 70,000 shareholders in Queens Moat Houses and Resort Hotels might be forgiven for choosing to ignore stock market talk of the recovery potential in the hotel and leisure sector.

Trading in the shares of the two groups was suspended in March and July respectively – in each case while their financial positions were examined.

Yet the sector has still managed to outperform the rest of the stock market for most of the year, buoyed by increasingly bullish research from analysts.

Mr Paul Slattery, at Kleinwort Benson, the stockbroker, says: "The strong share price performances by hotel stocks so far in 1993, in spite of the horrors of the two suspensions, indicates the extent to which investors have put their faith in recovery."

Queens Moat shares were suspended after the group failed to make a £7m preference dividend payment. It has since negotiated a standstill of its £1bn debts. Only three of the original 16-member board remain as directors. Resort, meanwhile, has followed Queens Moat's lead and called in independent accountants to examine its books after concerns arose over what the company called "a number of financing and reporting issues".

The suspension of two of the sector's most visible companies comes at what many analysts see as the end of one of the industry's most traumatic periods. As the recession bit, the receiver became the second largest hotel owner in the country amid a slump in earnings and a jump in debts.

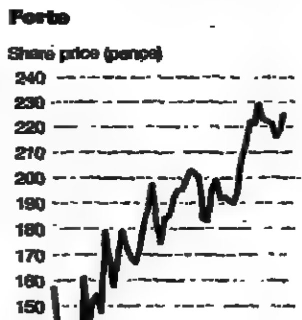
Investors also suffered dividend cuts. Forte, the UK's largest quoted hotel group, reduced its dividend payment in April for the first time in 20 years.

Despite this, demand for hotel stocks has been growing. However, the sector's problems have undoubtedly changed investors' stock selection. One fund manager said that while the recovery potential of the hotel sector was undeniable, committing funds to it had become more challenging. "Investors are now much more sensitive to the quality of management," he says.

On the other hand, Mr Peter Hilliar at BZW, the stockbroker, believes investor confidence has been left largely unscathed. He says it is the banks which are reluctant to return to the sector, having been burdened with numerous bad debts from bankrupt hotels.

However, evidence of a recovery in the hotel market remains debatable and is firmly handcuffed to any revival in the domestic economy.

Industry observers suggest that the London market has hardened in the last quarter. Room demand is some 8 per cent up, although achieved room rates have fallen slightly as hoteliers offer budget deals to make up the seasonal shortfall in business users. The combined impact on revenue is moderately positive, according to one hotel company director. But the same executive admits that the provinces remain "flat and soggy".



Source: FT Graphite

Most industry analysts accept that recovery will be sluggish this year, although London business should be buoyed by an increase in US tourists. There is also talk of inflation-busting price increases being pushed through in the 2-star bracket. An industry-wide acceleration in business is predicted in 1994, with much improved profits being delivered in 1995.

Concluding that the industry "is facing a better outlook than at any time over the last four years," BZW forecasts that earnings for the quoted hoteliers will grow by 45 per cent this year and 40 per cent the year after, compared with market averages of 15 and 16 per cent respectively.

Not everyone in the leisure market agrees. Hefty turnover in Forte and Ladbroke shares on the London market in recent weeks is testimony to a classic two-way pull, as those looking to buy for the recovery have been met by a wave of sellers untrusting of the troubled sector.

For instance, a 2 per cent stake in Forte recently sold into the market by one institution was snapped up by another, pushing turnover to 29m shares in one day, the highest ever daily volume in Forte shares.

Mr Jason Holden, at NatWest Securities, which last week reiterated its "sell" advice on Forte, remains cautious over the sector's recovery prospects. "We do not doubt that trading profits are set to improve, but the hotel industry post the recession is going to be fundamentally different to that of the glory days of the late 1980s. Some in the stock market have not yet taken this on board."

The 1980s saw the sector being driven as much by asset price inflation as by the fundamentals of the hotel business. Many in the market believe that after the recession, with asset inflation virtually eliminated, investor attention will shift in favour of other criteria in judging performance.

Most analysts believe that those companies with realistically-valued assets in their balance sheets will do best. In addition, low-cost business hotels with strong brands, such as Forte's Travel Lodge and Whitbread's Travel Inn, are seen as having the best margins against the luxury end of the market.

Added to an experienced and visible management to reassure the more nervous investor, these are the aspects of the business likely to shape investor choice.

Stakis, which has taken the pain of over-priced assets in its balance sheet recently, has crept on to several brokers' "buy" lists in recent weeks. The shares, which stood at 111p four years ago, have recovered from their low-point of 22p some 18 months ago and have climbed to 59p.

Friendly Hotels, which has suffered on the back of Resort's suspension, has ridden criticisms that its management is not visible enough, and the shares have also gathered support lately.

Valuation worries continue to surround Forte and Ladbroke, although the former wins most specialists' vote for its strong brands and management changes.

Although by no means unanimous, many analysts believe the rebound in Forte's profits will be strong. Smith New Court, the stockbroker, is forecasting a more than doubling of profits at Forte over the next two years – a figure it agrees is "aggressive".

However, Smith's Mr Bruce Jones asserts: "Our estimates may be six months too early. But the sector is on the turn. The profit bounce potential at Forte is considerable."

NEWS DIGEST

Exceptional behind rise at CCS

AN exceptional credit arising from restructuring was behind a return to the black at CCS Group, the USM-quoted builders' merchant.

After the credit of £1.49m, pre-tax profits for the half year to April 30 amounted to £1.5m, against losses of £38,000.

G Blagg, the group's sole trading subsidiary, returned "creditable figures in a difficult environment" directors said. Operating profits were £39,000 (£26,000).

Earnings per share emerged at 9.47p (losses of 0.24p) or 0.1p (losses of 0.08p) excluding exceptionals.

The directors were currently engaged in discussions which could lead to "significant developments" in the company's interests.

Dragon Oil sets up link in Philippines

Dragon Oil, the oil and gas explorer, has joined forces with a Philippines consortium in a Far East drilling programme.

Under the scheme, Dragon has farmed out interests in Korea and Thailand and acquired a minimum 13.75 per cent stake in a Philippines licence.

The farm-out is with two Philippine companies, Basic Petroleum & Minerals and Palawan Oil and Gas Exploration.

Weir expanding in Canada

Weir Group is expanding in Canada with the acquisition of AG Dunbar of Dartmouth, Nova Scotia.

The Canadian company distributes pumps and process equipment, including Moyno progressing cavity pumps, Milton-Roy metering pumps, and Roots positive displacement blowers.

It will be merged with the industrial products division regional branch in Dartmouth of Peacock, the Canadian subsidiary. The price was not disclosed.

29% asset growth for Mid Wynd Intl

Over the 12 months ended June 30 net asset value of Mid Wynd International Investment Trust rose from 280.9p to 362.3p per share.

This increase of 29 per cent was the best for ten years, the managers reported.

The $4.5m (£3m) loan was repaid in April, the bonds which it financed having been sold. Since 1990 that exercise had produced a capital profit of £800,000 – 16p per share – as well as gains to revenue.

For the year gross investment income came to £769,000 (£760,000) and earnings per share to 7.07p (6.34p). The dividend is again 6p with an unchanged final of 3.6p.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, August 9, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	2115.73	1416.64	834.615	1351.92
Albania	(Lek)	164.39	110.07	64.8481	105.042
Algeria	(Dinar)	29.60	19.8192	11.6765	18.9137
Andorra	(Fr Fr)	8.6300	5.3565	3.1556	5.1118
	(Sp Peseta)	209.25	140.107	82.5443	133.708
Angola	(New Kwanza)	6046.50	4048.54	2385.21	3863.56
Antigua	(E Carr $)	4.03	2.6983	1.5897	2.575
Argentina	(Peso)	1.4953	1.0012	0.5898	0.9554
Aruba	(Florin)	2.6752	1.7912	1.0553	1.7093
Australia	(Aus $)	2.1965	1.4707	0.8664	1.4035
Austria	(Schilling)	17.795	11.9149	7.0197	11.3708
Azores	(Port Escudo)	259.30	173.619	102.286	165.687
Bahamas	(Bahama $)	1.4935	1	0.5891	0.9543
Bahrain	(Dinar)	0.5627	0.3767	0.2219	0.3595
Balearic Is	(Sp Peseta)	209.25	140.107	82.5443	133.706
Bangladesh	(Taka)	59.7728	40.0219	23.579	38.1934
Barbados	(Barb $)	3.0059	2.0126	1.1857	1.9207
Belgium	(Belg Fr)	53.85	36.0562	21.2426	34.4089
Belize	(B $)	2.9890	2.0013	1.179	1.9099
Benin	(CFA Fr)	444.50	297.623	175.345	284.026
Bermuda	(Bermudian $)	1.4935	1	0.5891	0.9543
Bhutan	(Ngultrum)	47.134	31.5596	18.5932	30.1175
Bolivia	(Boliviano)	6.4189	4.2979	2.5321	4.1015
Botswana	(Pula)	3.6981	2.4761	1.4588	2.363
Brazil	(Cruzeiro)	114.981	76.9742	45.3465	73.4575
Brunei	(Brunei $)	2.4096	1.6135	0.9506	1.5395
Bulgaria	(Lev)	39.56	26.4814	15.6015	25.2715
Burkina Faso	(CFA Fr)	444.50	297.623	175.345	284.026
Burma	(Kyat)	9.4790	6.3441	3.7378	6.0543
Burundi	(Burundi Fr)	363.5	243.389	143.393	232.268
Cambodia	(Riel)	5230.73	3502.34	2063.41	3342.33

Special Drawing Rights August 6, 1993 United Kingdom £0.937711 United States $1.39972 Germany D Mark 2.38521 Japan Yen145.489
European Currency Unit Ratios August 6, 1993 United Kingdom £0.757944 United States $1.13201 Germany D Mark 1.92161 Japan Yen117.697

Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4365/6.
Monday, August 9, 1993

COMPANY NEWS: UK

Firmer footing as clouds disperse

Richard Lapper on the expectations of better results from the insurance companies

AFTER THREE years of heavy losses, the insurance industry appears to be decisively back on the road to profitability.

Three companies, General Accident, Commercial Union and Royal Insurance, will this week report sharp improvements in pre-tax profits for the first six months of 1993.

Guardian Royal Exchange and Sun Alliance are expected to follow suit within the next four weeks.

Underpinning the turnround has been a combination of rate increases, a fall in the frequency of claims and a gradual reduction in the burden of mortgage indemnity insurance claims.

The Association of British Insurers reported a 7.5 per cent fall in theft claims in the first quarter of 1993, compared with the same period of 1992. That indicates that the high incidence of recession-related claims may be beginning to tail off as a result of the first signs of economic recovery.

More importantly after the storm losses of 1990 and subsidence losses of 1990 and 1991, insurers benefited from mild weather last winter.

Subsidence claims in the first quarter were 80 per cent lower than the corresponding 1992 quarter, which itself showed a big improvement on 1991.

Mr Tom Bennett, analyst with Banque Paribas Capital Markets, estimates that losses from DMI policies, which insure mortgage lenders against part of any losses they make when selling repossessed houses, will fall to £397m in the first half of 1993 and less than £800m for the whole year. The annual figures for 1992 and 1991 were £910m and £1.32bn respectively.

In some cases, notably General Accident, companies have reduced costs by rationalising back-room and sales operations and trimming management layers.

Trends in the capital and foreign currency markets have also been favourable, helping to strengthen balance sheets dented by recent losses. "Firm equity markets and more importantly bond market appreciation should yield all the groups substantial capital gains," says Mr John Chester, of SG Warburg.

Mr Chester estimates that the net asset values of General Accident, GRE and Royal have risen by 10 per cent over the past six months. Sun Alliance has increased by 6 per cent as a result of more modest profit expectations.

He expects Commercial Union to record a 28 per cent enhancement in net asset value due to the effects of February's rights issue.

Predictably analysts are expecting pre-tax profits for all companies in 1993 and the upturn to continue into 1994. A possible upturn in rates in the US would provide a further fillip to profitability.

However, looking further ahead the picture is a good deal more murky. Part of the reason is that there are already signs of rate competition returning to some parts of the market, especially in motor business.

Mr Steven Bird, analyst with Smith New Court, says that the recovery has been too strong. "The industry is simply not going to be able to stand still and allow the companies to make underwriting profits and increase prices at the same time," he says. He also predicts that direct telephone-based companies such as Direct Line and Churchill will continue to grow strongly.

Mr Youseff Ziai, analyst with Morgan Stanley, agrees. "Most underwriters now accept that rates are fully adequate. We'll certainly see more evidence of this in the second half and into next year."

Upturn may be jeopardised by more competition

The upturn in the fortunes of the insurance industry could prove short-lived if the conclusions of a recent analysis by McKinsey & Company, the management consultants, are borne out, writes Richard Lapper.

Writing in the latest issue of The McKinsey Quarterly, Mr Michael Muth says that a brutal increase in competition will put in jeopardy the fortunes of the majority of Europe's traditional insurance markets.

"It is likely that the profitability of the European insurance industry will continue to decline until a thorough shake-up has occurred and both survivors and newcomers have redefined their roles in the market," he says. "The majority of today's players will therefore have to exit the business – a shake-out like the one that occurred in the United States in the 1980s."

Mr Muth says that the poor results experienced by most of Europe's main companies in 1991 and 1992 did not "reflect a temporary dip in the underwriting cycle . . . but marked the onset of an unstoppable transition."

He predicts that new specialised insurers, which have simplified and lean cost structures, will grab market share from established multi-line insurers.

Increasingly insurers will be competing for fewer customers as both domestic and commercial customers opt to self-insure and predicts a 20 to 25 per cent fall in premiums. "Households and industrial corporations alike are opting for self-insurance much more frequently."

Mr Muth adds that insurers will be forced to make more efficient use of capital in order to invest in systems and marketing.

INTERIM PRE-TAX PROFITS (£m)

	1992	1993 (est)
Commercial Union	(18.1)	60
General Accident	(21.2)	105
GRE	7*	140*
Royal	(79)	40
Sun Alliance	(114.1)	30

*includes investment gains of £46m in 1992 and £75m (est) in 1993

Source: SG Warburg

Billiton sells UK lead recycling operations

By Kenneth Gooding, Mining Correspondent

BILLITON, the Royal Dutch/Shell group's mining and metals business, has agreed to sell its lead recycling and fabrication businesses in the UK and France to an investor group led by Quexco Incorporated, a private US company.

The main subsidiary of Quexco is the RSR Corporation, a leading lead recycling company in the US.

No price has been revealed for the transaction. It will include the Billiton UK activities trading as HJ Enthoven, based in Darley Dale, Derbyshire, which was part of Billiton when Shell took it over in 1970, as well as British Lead Mills, acquired from GKN in 1977 and with sites in Welwyn Garden City, Bristol, Glasgow, Leeds, London and St Helens.

Combined annual production in the UK is 100,000 tonnes of lead products. These operations have turnover of about £50m and employ 365 people.

Billiton acquired Le Plomb Francais, which has 48 employees, from a private seller in 1988. It has an annual output of 10,000 tonnes of lead products.

RSR has production facilities in New York, Indiana and California, producing about 220,000 tonnes of lead a year.

Shell is negotiating the sale of most of Billiton's assets with Gencor of South Africa but the European lead interests were excluded.

Receivers called in at Dunkeld

Dunkeld, the shirt and swimwear manufacturer, went into receivership yesterday. The group's banks were not prepared to refinance the company which was facing a liquidity crisis. Its shares had been suspended at 28p on Friday.

In February, the group returned annual pre-tax profits of £2.45m, against a loss of £17.5m. Dunkeld has debt of about £7m, the legacy of rapid expansion in the 1980s.

Bass sells pubs to Greene King

By Philip Rawstorne

Bass has sold 44 pubs, mainly in London and Surrey, to Greene King, the regional brewer, for £17.5m cash.

The acquisition will increase the size of Greene King's estate to 870 pubs and should be earnings-enhancing in the current year, Mr Tim Bridge, Greene King's managing director, said yesterday.

"The properties are positioned within our strategic development area and will make a significant positive impact on the managed house proportion of our estate," he added.

Greene King will take over the pubs gradually through next month, placing most of them under management rather than tenancies.

ScotMet plans £47m disposal

By James Buxton, Scottish Correspondent

SCOTTISH Metropolitan, Scotland's biggest property investment company, is putting on the market Saltire Court, a prestige office development in Edinburgh which is the company's largest single asset.

Hillier Parker, the chartered surveyors, are to seek offers in the region of £46.8m for Saltire Court. ScotMet said the proposed sale "will create a platform for the company to return to making selective investment acquisitions in the north" [of Britain].

Saltire Court is an imposing stone-faced building containing 175,000 sq ft of office space below Edinburgh Castle. It has succeeded in attracting firms of solicitors and accountants to relocate from their traditional base in Georgian buildings in Charlotte Square.

But it was only completed in late 1991 after the property boom had ended and was initially slow to find tenants. However, it is now 93 per cent let with tenants at headline rents in the region of £22-£23 per sq ft.

ScotMet plunged heavily into loss in 1991 mainly because of the collapse of property values in the south and Mr Gordon Milne, managing director, who had championed the Saltire Court project, resigned in early 1992, to be replaced by Mr Scott Cairns.

Since then ScotMet has sold off £90m of assets to reduce borrowings, which had been cut to £150m in April when the company announced a return to profitability with pre-tax profits of £532,000 for the half year to February 15 1993. Banking facilities were extended from October 1993 to October 1995.

Mr Cairns said that Saltire Court represented 15-20 per cent of ScotMet's net assets of £285m as of last August which was too large a percentage to have in one building.

He said the sale of Saltire Court was not required for the purpose of reducing debt, although it would reduce the company's debts below its target level.

"I always felt that Saltire Court formed too large a part of our assets," Mr Cairns said.

He added that ScotMet would now be investing in properties worth about £5m each.

IDV establishes Chilean venture

By Philip Rawstorne

International Distillers & Vintners, the drinks division of Grand Metropolitan, has established a joint venture with Vina Concha y Toro, the largest wine company in Chile.

The venture, in which IDV holds a 51 per cent stake, will distribute brands of both companies in the domestic market and in the free trade zone

Mr Howard Smith, president of IDV Africa and Latin America, said the venture offered greater opportunities for building distribution and volume of IDV's international brands.

Vina Concha y Toro sells about 5.5m cases of wine a year, exporting a third.

The company produces and distributes IDV's Cinzano under licence in Chile.

COMMODITIES AND AGRICULTURE

Limit on CIS imports fails to move aluminium market

By Kenneth Gooding, Mining Correspondent

THE ALUMINIUM market was unimpressed yesterday by the European Commission's decision at the weekend to impose short-term restrictions on imports of the metal from the Commonwealth of Independent States. The price of metal for delivery in three months fell on the London Metal Exchange by $15 a tonne to $1,207.50.

CIS aluminium would simply flow to other regions, particularly Japan and the US, and still have a depressing impact on what was a global commodity market, analysts pointed out.

The Russian producers group, Concern Aluminy, also warned that the block on some imports would be ineffective. And it said it was likely to damage European Community countries because aluminium worth $250m-$300m was used by Russia to buy raw materials, food and industrial goods from them. The group suggested that the potential annual cost to the EC in higher prices and the loss of tolling operations – where Russian organisations process raw materials on behalf of foreign companies – was about $1bn.

The European Commission said that its investigation showed that the CIS imports were causing "serious injury" to the EC aluminium industry. The European industry estimates that those imports rose from 123,000 tonnes in 1990 to 582,000 tonnes last year.

"Aluminium produced in the CIS states enjoys the huge advantage of artificially low energy prices, and environmental standards there are far less strict than those in western countries. In addition, other significant costs involved in aluminium production are not borne by the producers," the Commission said.

Discussions with CIS producers so far had produced no results – not even any production and export statistics – so, "given the extreme urgency of the situation", the Commission would limit aluminium imports from the CIS to 60,000 tonnes in the months to the end of November.

The Commission said it would continue to work hard for a negotiated settlement but it implied further action would be taken if no agreement was reached by the end of November.

Mr Nick Moore, analyst with Ord Minnett, suggested the European industry had lost an opportunity for further necessary rationalisation. It was true that Europe accounted for 25 per cent of the western world's supply of aluminium and had suffered 80 per cent of the capacity cuts so far, "but this is right because so many European smelters are high-cost and small".

The European Aluminium Association gave a guarded welcome to the Commission's action and said it remained willing to support the efforts of the CIS aluminium industry to stimulate its domestic consumption of the metal and to modernise its production facilities.

Keating refuses to help Comalco

MR Paul Keating, the Australian prime minister, has rejected calls by Comalco and the Queensland government to protect the aluminium producer from aboriginal claims to its bauxite leases in the state, Reuter reports from Melbourne.

Comalco, 67 per cent owned by the CRA resources group, said last month it had been served with a native land claim by the aboriginal Wik people over more than 35,000 sq km of land covering its Weipa bauxite leases.

The company's share price fell by more more than 4 per cent in response to concern about the claims, which ANZ McCaughan analyst Mr Ray Chantry said put A$1.83bn (£820m) of investment by Comalco in doubt. Mr Keating's decision has "dramatic ramifications in the mining industry", Mr Chantry said.

The investment concerned covered an A$750m planned purchase of the Gladstone power station from the Queensland government, a A$200m upgrade of the power station and an $880m expansion of the Boyne Island aluminium smelter in Gladstone. Mr John Ralph, Comalco's chairman, has warned that lenders will not fund the expansion if they cannot be guaranteed they will not suffer a loss.

Queensland's premier, Mr Wayne Goss, said that the Australian government had to take action to protect Comalco's proposed investment..

Mr Chantry said it was hard to quantify the effect of the land claim on the aluminium producer's earnings, adding that the stock was expensive in view of the weak metal price.

He said Comalco shares had risen from A$3.75 last week in response to upgrades of European economic growth forecasts, which lifted most metal producers' share prices.

Another analyst said he believed Comalco was reasonably priced in view of the concern over the leases. "The capitalisation of Comalco is at stake," he said, adding that the company's future was based on the Weipa bauxite leases.

He said he believed Mr Ralph was serious in his warnings about the dangers that the claim posed to the company's planned investment. "There would be no international financier willing to lend money when there's some concern about the leases at Weipa," the analyst said.

If the company lost access to the Weipa leases, it would have to find another mineral source to supply its smelters, he said.

China targeted for palm oil sales

By Kieran Cooke in Kuala Lumpur

MALAYSIA is trying to persuade China to buy more of its palm oil.

Mr Lim Keng Yaik, Malaysia's minister of primary industries, said that during a visit to China he hoped to persuade the authorities there to reduce import tariffs on palm oil from the present 28 per cent to 20 per cent.

Last year China imported 854,000 tonnes of palm oil, of which about 550,000 tonnes originated in Malaysia. Mr Lim said that China's imports of edible oils and fats were likely to nearly double to 3m tonnes over the next few years.

Malaysia is offering China US$100m of credits to enter into long-term purchasing agreements for its palm oil. Under the credit scheme China would enter into contracts to purchase from Malaysia a minimum of 300,000 tonnes of palm oil a year over an extended period.

Last year Malaysia produced more than 6.3m tonnes of palm oil, accounting for about 55 per cent of total world output.

The country is trying to diversify its palm oil export markets. It is hoping for significant volumes of exports to Russia in coming months as part of a countertrade deal under which the Malaysian air force is taking delivery of 18 Russian-built Mig fighter jets.

Opec oil output 1m barrels over quota

THE Organisation of Petroleum Exporting Countries produced more than 1m barrels a day above its oil output quota in July, Reuter reports from Nicosia.

According to the Middle East Economic Survey, the weekly oil newsletter, Opec's July production was 24.64m b/d – about 230,000 b/d above the total for June. Iran's output dropped by 71,000 b/d to 3.62m b/d, but that was still above the country's Opec quota of 3.34m b/d.

The newsletter said Kuwait's production rose by 150,000 b/d in July to 1.9m b/d. Kuwait refused to join Opec's third-quarter quota accord in June and insisted on a higher production allocation. "A large part of the additional supply came from Kuwait – now quota-free and programmed to reach 2.16m b/d by September," the survey said.

It reported that Saudi Arabia, the biggest oil producer and exporter, produced 8.15m b/d in July, but "actual sales deliveries were reckoned to have stayed within the quota of 8m b/d, with the balance destined for overseas storage".

The newsletter suggested that during the third quarter Opec countries would continue producing above their overall quota of 23.582m b/d. "This is likely to rise further as the third quarter progresses owing to projected higher output from Kuwait and other factors."

The newsletter said Iran's crude exports had consistently fallen this year within the range of 2.7m-2.9m b/d.

● World oil prices rose by nearly 40 cents a barrel after a surprise announcement that Mr Jean Ping, president of Organisation of Petroleum Exporting Countries, would join a quota compliance committee meeting in Vienna today.

Mr Ping, oil minister of Gabon, will join the oil ministers of Libya and Qatar as well as the secretary general of Opec, Mr Subroto of Indonesia, for the Vienna meeting to review the group's July production figures.

London September futures of the world benchmark crude oil, North Sea Brent Blend, began to move up from just below $16.30 a barrel on the news.

The price rallied to $16.64 as petrol prices rose on fears of a shortage because of refinery problems in the US.

Overproduction by some of the 12 members of Opec has been blamed for the recent slide in oil prices, which fell below $16 last month.

Zambia to decide on ZCCM privatisation by end of year

By Philip Gawith in Johannesburg

THE Zambian government is likely to make a decision by the end of the year about privatising Zambia Consolidated Copper Mines, the company that dominates the country's economy.

Mr Mathias Mpande, deputy minister of mines, confirmed that a German company contracted to investigate and comment on the privatisation options for ZCCM was scheduled to report by October or November. "Government should then be able to make a decision by the end of the year," he said.

Mr Mpande said that privatising ZCCM had become urgent because of the economic need to attract foreign investment. In particular, a decision would have to be made by early next year on the financing of the Konkola deep mine in the north of the copper belt.

That project, which will probably cost about US$550m, must proceed if the company is to achieve a sustainable annual production level of 450,000-500,000 tonnes of copper. It will have to be equity-funded because ZCCM and the Zambian government already have high debt burdens. ZCCM has a debt of about $700m.

Mr Mpande suggested that a sell-off in stages was more likely than a one-off auction as the former course would allow for an increased number of shareholders and thus enhance the acceptability of "corporate capitalism". He said that putting the whole of ZCCM into private hands was a sensitive issue as the company accounted for more than 90 per cent of the country's export earnings and was regarded as a "national treasure".

Foreign investors also favour the government keeping a stake, he added.

Mr Mpande confirmed that South African mining group Anglo American was at the front of the queue for a stake in a privatised ZCCM. He described the company as "very, very keen" and he said discussions had taken place nearly every month.

Given the large stake of 27.3 per cent that Anglo already holds in ZCCM, Mr Mpande said "it would not be right for them to be outplayed by a newcomer". He predicted that Anglo would increase its stake to the limits of its equity capacity but that it would not be able to go it alone. "Other important mining companies should be involved," he said.

Dismissing speculation that some mining houses might have blotted their copybooks by being too closely involved with the discredited Kaunda government, Mr Mpande said: "What will dictate who gets what will be their offer and strategic plans, rather than their past dalliances."

Disputes threaten nickel producer

GREECE'S LARCO, which formerly produced 4 per cent of the world's nickel, could go bankrupt and close within months, Reuter reports from Athens.

"If Larco is not privatised soon then it is condemned to closure," a Larco official said.

The company has a serious cash shortage and has been hit by strikes and payment disputes with the state power corporation. It lost Dr9.6bn (£26m) in 1992, following Dr7.7bn in 1991. Turnover was Dr19.5bn in 1992, down from Dr24.5bn the previous year.

Larco, whose customers are Europe's major steelmakers, has capacity to produce 17,000 tonnes of contained nickel a year. Production rose to 1,030 tonnes in July from about 700 tonnes a month in November 1992 when an eight-month survival plan was introduced. That involved temporarily halving both output and working hours. The arrangement ended in July.

The output target for the rest of 1993 is 1,200-1,300 tonnes a month, a mainly dictated by the Greek government's reluctance to order redundancies.

Workers protesting against management's refusal to award a pay rise for 1992 and 1993 are staging one four-hour stoppage a week until August 31.

Mr Yannis Zournadzis, the managing director, has cut the workforce by 18 per cent since 1990 with employment at Larco's plant, mines and headquarters dropping to 1,580 from 1,930. "We have achieved about 40 voluntary redundancies recently but cannot afford to pay more severance," he said.

In another dispute, Larco and the Public Power Corporation are trying to agree on electricity discounts for 1993.

Under the 1992 agreement, Larco pays a base Dr6.026 per kWh, a charge that rises in line with the London Metal Exchange's three-month nickel price and month-on-month Greek inflation.

The PPC is believed to be owed Dr1.4bn by Larco, which confirmed that "several months" of bills were unpaid.

Spain acts to resolve peach crisis

By Belinda Fowler

EUROPEAN PEACH dealers had their eyes and ears fixed on Spain yesterday following rumours that two markets had offered large quantities of peaches for sale to the Spanish intervention board in an effort to rescue the European market from crisis.

The ministry of agriculture in Madrid confirmed that both Zaragoza and Murtia markets were planning to offer smaller-sized peaches for public sale, although until prices were known, quantities remained uncertain.

Mr Guardo Angel, a technical adviser at the ministry, said the Spanish markets hoped success would mean a quick end to the crisis, which had been dogging them for the past 10 days.

The crisis was made official a week ago by the European parliament. It began in Zaragoza on July 27 and 28 when the price for Jeronimo peaches fell below the European crisis level of Ecu20.62 or Pta37.68 (18p) a kg to Pta36.4.

Before the crisis can be declared over officially the markets will have to sell above the crisis point for three consecutive days.

A Brussels official said the situation had been caused more by a lack of public demand for peaches all over Europe than by excessive volumes entering the market. He said recession-torn European consumers had been cutting back on fruit and vegetables rather than potatoes, bread, meat or fish.

Mr Angel also blamed higher than normal production levels in Spain.

A similar situation involving Portugal as well as Spain arose last year.

Industry rejects forecast for Indian jute crop

By Kunal Bose in Calcutta

JUTE MILLERS and traders in India believe the government is being wildly optimistic in forecasting a 600,000-bale rise in the country's jute crop during the 1993-94 season.

With the season now in its second month and the market arrival of the new fibre steadily growing, the agriculture ministry's projection of a crop of 7.6m bales (1.8kg each) has surprised the Indian Jute Mills Association, which expects the crop to be down on last year's at about 6.5m bales. The Jute Balers Association, which monitors the crop in all growing areas, thinks it will be even lower, at 6.3m bales.

The Jute Corporation of India, the government procurement agency, also thinks the ministry's estimate is too high. Last year the crop turned out to be 7m bales compared with the ministry's forecast of 7.5m.

Industry experts also disagree with the government over its estimate that the current season opened with stocks of 2m bales, insisting that the carry-over from 1992-93 was no more than 1.5m bales.

All the agencies agree that the extensive floods in Assam and north Bengal have caused little damage to the standing jute crop, but they expect fibre supply to be tight throughout 1993-94, with the prices rising as the season progresses.

In view of the short crop, the industry has demanded that the government put a ban on the export of raw jute in the current season. India resumed the export of fibre two years ago after a break of nearly a decade.

However, the shippers contend that no purpose will be served by stopping the export of low-grade fibre.

The government is reported to be planning to encourage the import of high-quality jute by the mills for the production of exportable jute goods. According to the Jute Advisory Board, a minimum of 300,000 bales of fibre will be imported this season.

According to Mr S.S. Chattopadhyay, India's jute commissioner, the jute mills will need 7.8m bales while village demand for raw jute will be about 600,000 bales.

The Indian paper mills have also started using jute as a raw material.

In order to persuade the farmers to grow more jute, the government has raised the minimum price of the benchmark grade by Rs50 (£1.06) to Rs450 a quintal (100lb). But the higher minimum price is unlikely to be maintained during the peak fibre arrival period of September to November unless the Jute Corporation is provided with adequate funds to intervene in the market.

Hardly any purpose will be served if the jute prices go up once the farmers have sold their stocks at low rates.

WORLD COMMODITIES PRICES

MARKET REPORT

The GOLD price recovered some of last week's heavy losses yesterday as Swiss and Far Eastern buyers returned the the market. It closed at the London bullion market at $382.25 a troy ounce, up $5.75, after meeting resistance at $383. Base metal markets were generally easier at the London Metal Exchange. ZINC remained under pressure following Friday's breach of the $900-a-tonne barrier for three months metal and investment fund liquidation drove the price to a fresh six-year low of $880 at one stage. The COPPER market was also lower, although nearby premiums remained. Final business for the three three months position was at $1,933 a tonne, down $12 from Friday. At the London Commodity Exchange robusta COFFEE futures continued Friday's retracement in early trading. But roaster buying was encountered at $1,100 a tonne for the November position, which closed $28 up on balance at $1,142 a tonne. Traders said the rise was mainly due to the absence of any aggressive selling rather than any fresh fundamental news. Attention in London continued to be focused on near September options which expire on August 18.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Sep)		+ or -
Dubai	$14.54-4.59u	+0.27
Brent Blend (dated)	$16.48-6.50	+0.13
Brent Blend (Sep)	$16.61-6.63	+0.16
W.T.I (1 pm est)	$17.60-7.62u	+.165
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$190-192	
Gas Oil	$158-159	-0.5
Heavy Fuel Oil	$60-62	-1
Naphtha	$159-160	-0.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$382.25	+5.75
Silver (per troy oz)♣	471.5c	+14
Platinum (per troy oz)	$393.25	+5.5
Palladium (per troy oz)	$139.75	+1
Copper (US Producer)	91.00c	-0.5
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	12.31m	-0.29
Tin (New York)	224.5c	-0.5
Zinc (US Prime Western)	62.00c	
Cattle (live weight)†	131.99p	+0.52*
Sheep (live weight)†♠	93.74p	+1.63*
Pigs (live weight)†	73.29p	+0.35*
London daily sugar (raw)	$262.10	+0.8
London daily sugar (white)	$284.30	+1.3
Tate and Lyle export price	£286.50	
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£169	
Wheat (US Dark Northern)	£147	
Rubber (Sep)♥	60.00p	
Rubber (Oct)♥	60.50p	
Rubber (KL RSS No 1 Jul)	209.0m	
Coconut oil (Philippines)§	$450.0v	
Palm Oil (Malaysian)§	$357.5x	
Copra (Philippines)§	$301	
Soyabeans (US)	£205u	-2
Cotton "A" index	55.55c	-0.05
Wooltops (64s Super)	341p	-10

[illegible]

SUGAR – LCE ($ per tonne)				
White	Close	Previous	High/Low	
Oct	262.80	266.80	266.50	261.60
Dec	262.50	265.60	262.50	
Mar	264.50	268.30	267.80	264.80
May	265.80	270.00	265.80	

White 1173 (743) Paris- White (FFr per tonne): Oct 1571.35

CRUDE OIL – IPE ($/barrel)				
	Latest	Previous	High/Low	
Sep	16.58	16.40	16.66	16.25
Oct	16.73	16.46	16.80	16.42
Nov	16.88	16.67	16.97	16.60
Dec	17.02	16.80	17.10	16.71
Jan	17.12	16.93	17.13	16.86
Mar	17.30	17.12	17.30	
Apr	17.38	17.19	17.38	
May	17.45	17.28	17.45	
IPE Index	16.46	16.61		

Turnover 29098 (35069)

GAS OIL – IPE ($/tonne)				
	Close	Previous	High/Low	
Aug	157.25	156.50	158.00	155.25
Sep	158.75	157.50	158.75	155.75
Oct	160.50	159.25	160.75	158.00
Nov	163.00	161.50	163.00	160.00
Dec	165.00	163.25	165.00	162.25
Jan	167.00	165.50	167.00	164.00
Feb	167.00	165.50	167.00	165.25
Mar	166.50	163.50	163.75	162.50

Turnover 17536 (14809) lots of 100 tonnes

TEA

There was strong general demand for landed reports the Tea Brokers Association. Bright and good medium East Africans were firm to dearer but lesser mediums were barely steady. Plainer types remained unchanged. Ceylons met more competition at often dearer rates. Offshore fair demand but prices tended lower. Quotations: [illegible]

COCOA – LCE (£/tonne)				
	Close	Previous	High/Low	
Sep	718	735	741	715
Dec	738	754	758	737
Mar	756	774	776	756
May	765	784	785	765
Jul	775	796	795	775
Sep	784	804	804	784
Dec	798	816	819	798
Mar	810	829	829	810

Turnover: 8016 (5361) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 6 744.55 (748.66) 10 day average for Aug 9 755.61 (757.66)

COFFEE – LCE ($/tonne)				
	Close	Previous	High/Low	
Sep	1167	1128	1167	1110
Nov	1143	1114	1143	1100
Jan	1120	1095	1120	1090
Mar	1111	1092	1111	1099
May	1106	1081	1106	1100

Turnover: 5667 (7348) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 6 Comp. daily 66.49 (68.99) 15 day average 63.68 (63.24)

POTATOES – LCE (£/tonne)				
	Close	Previous	High/Low	
Apr	81.5	81.1	81.5	80.2

Turnover 55 (69) lots of 20 tonnes.

SOYAMEAL – LCE (£/tonne)			
	Close	Previous	High/Low
Aug	-	170.00	

Turnover 0 (700) lots of 20 tonnes.

FREIGHT – LCE ($10/index point)				
	Close	Previous	High/Low	
Aug	1375	1385	1380	1370
Sep	1412	1403	1420	1412
Oct	1447	1430	1450	1440
Nov	1473	1450	1475	1470
Jan	1476	1450	1479	1460
Oct	1468	1460	1468	1460
BFI	1335	1334		

Turnover 198 (264)

GRAINS – LCE (£/tonne)				
Wheat	Close	Previous	High/Low	
Sep	104.95	104.65	104.95	104.85
Nov	106.30	105.85	106.35	106.25
Jan	108.10	107.80	108.25	107.90
Mar	110.10	109.65	110.15	110.10
May	112.10	111.60	112.20	112.00
Barley	**Close**	**Previous**	**High/Low**	
Sep	99.85	99.25	100.00	99.50
Nov	102.35	101.75	102.50	101.95

Turnover: Wheat 145 (383) Barley 82 (117). Turnover lots of 100 Tonnes.

PIGS – LCE (Cash Settlement) p/kg

[illegible]

LONDON METAL EXCHANGE	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 30,861 lots
Cash	1184-5	1200-1		1195-5.5		
3 months	1207-8	1222-3	1224/1206	1217-7.5	1218.5-9.0	240,810 lots
Copper, Grade A ($ per tonne)						Total daily turnover 34,689 lots
Cash	1957-8	1968-9	1962	[illegible]		
3 months	1937-8	1951-2	1946/1935	[illegible]	[illegible]	[illegible]
Lead ($ per tonne)						[illegible]
Cash	391-2	398.5-7.5		[illegible]		
3 months	404-5	409-9.5	407/403	[illegible]	[illegible]	[illegible]
Nickel ($ per tonne)						[illegible]
Cash	4870-80	4855-65	4830	[illegible]		
3 months	4925-30	4910-15	4930/4880	[illegible]	[illegible]	[illegible]
Tin ($ per tonne)						[illegible]
Cash	4845-55	4861-6		[illegible]		
3 months	4895-900	4910-5	4900/4885	[illegible]	[illegible]	[illegible]
Zinc, Special High Grade ($ per tonne)						[illegible]
Cash	868-9	881-2		[illegible]		
3 months	883-4	896-7	902/880	[illegible]	[illegible]	[illegible]

LME Closing £/$ rate: SPOT: 1.4935 3 months: 1.4842 6 months: [illegible] 9 months: [illegible]

Copper and lead prices are now expressed in dollars per tonne.

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	382.00-382.50	
Opening	380.75-381.50	
Morning fix	382.50	255.579
Afternoon fix	381.70	254.960
Day's high	383.50-384.25	
Day's low	380.25-380.75	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.54	6 months	2.62
2 months	2.54	12 months	2.67
3 months	2.56		

Silver fix	p/troy oz	US cts equiv
Spot	312.60	467.50
3 months	317.05	470.35
6 months	321.40	475.25
12 months	329.20	483.40

GOLD COINS	$ price	£ equivalent
Krugerrand	382.00-385.00	255.00-258.00
Maple leaf	393.25-396.00	-
New Sovereign	90.00-93.00	60.00-63.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1175	37	71	6	18
1200	20	56	15	27
1225	10	42	29	38
Copper (Grade A)	**Calls**		**Puts**	
1900	78	91	14	67
1950	45	68	32	93
2000	24	49	59	123
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
1150	44	74	37	61
1200	16	54	69	111
1250	11	40	104	147
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
725	10	43	17	30
750	3	31	35	43
775	1	22	56	59
Brent Crude	**Sep**	**Oct**	**Sep**	**Oct**
1700	[illegible]	[illegible]	[illegible]	[illegible]
1750	[illegible]	[illegible]	[illegible]	[illegible]
1800	[illegible]	[illegible]	[illegible]	[illegible]

INDICES

[illegible]

New York

GOLD 100 troy oz.; $/troy oz.

[illegible]

PLATINUM 50 troy oz; $/troy oz.

[illegible]

SILVER 5,000 troy oz; cents/troy oz.

[illegible]

HIGH GRADE COPPER 25,000 lbs; cents/lbs

[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

[illegible]

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	50.20	[illegible]	50.50	[illegible]
Oct	51.50	50.85	51.70	50.40
Nov	52.75	51.75	52.90	51.55
Dec	53.85	52.90	54.00	52.80

[illegible]

COCOA 10 tonnes;$/tonnes

[illegible]

COFFEE "C" 37,500lbs; cents/lbs

[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

[illegible]

COTTON 50,000 lbs; cents/lbs

[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

[illegible]

SOYABEAN MEAL 100 tons; $/ton

[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

[illegible]

LIVE HOGS 40,000 lb; cents/lbs

[illegible]

PORK BELLIES 40,000 lbs; cents/lb

[illegible]

LONDON STOCK EXCHANGE

FT-SE Index challenges 3,000 mark

By Terry Byland,
UK Stock Market Editor

FAVOURABLE data on the domestic economy and a cut in French interest rates brought new peaks in UK stocks yesterday, as the FT-SE 100 Index market mounted a challenge to the 3,000 mark which it will have in its sights when it opens for business this morning. Encouragement for equities came from stock index futures, where the September contract moved briefly above 3,000, and also from continued firmness in British government bonds.

The reduction of a quarter of a point in the 24 hour lending rate of the French central bank strengthened optimism in London that rate cuts in Europe will open the way for a further cut in UK base rates, probably in the autumn. Predictions in the City of London are that base rates will fall to 5 per cent.

Confidence in the progress of economic recovery in the UK was buttressed yesterday by the latest statistics on UK producer prices and consumer credit. Producer prices rose by 0.1 per cent in July, slightly less than expected, while consumer credit increased to £4.69bn, supporting expectations that consumer spending is leading the economy out of the recession.

Economic optimis was also encouraged by reports that the Bank of England quarterly bulletin, due today, will indicate that British firms have survived the recent economic recession in better shape than they were after the recession at the beginning of the 1980s.

The market advance was fairly restrained at first, however, and the new intra day trading peak of 2,986.8 on the Footsie was not established until late afternoon when London was cheered by an early gain of 20 Dow points early in the New York session. The Footsie 100 Index closed 16.6 up at 2,986.4.

The FT-SE Mid 250 Index continued its headlong advance, gaining 6.6 to yet another new peak of 3,399.4. Private investors, who tend to concentrate on the Mid 250 list, played a leading role in the market yesterday.

Trading in non-Footsie stocks expanded to make up around 60 per cent of the day's Seaq total of 525.3m shares; on Friday, 681.3m shares traded through the Seaq network, worth £1.48bn in retail or customer business. Retail business has exceeded £1.37bn daily for the past nine trading sessions, indicating a good level of profitability for the London-based securities houses.

The big investment institutions were also buyers of UK stocks yesterday although they were unwilling to chase share prices in a market now in such clearly confident mood. High levels of turnover in such blue chip names as British Gas and BT disclosed the presence of managers of the pension funds.

Very heavy trading was recorded in Pilkington, the UK glass manufacturer, as rumours re-emerged that Pittsburgh Steel may yet make a bid for the equity.

The influence of the Wall Street market brought only modest support for the heavyweight oil stocks and pharmaceuticals traced a somewaht uncertain path. Consumer issues, including most of the leading retail stores, continued to lead the advance in the interest-related sectors.

In the banking sector, which was still digesting last week's profits statements from the leading UK houses, investors became more cautious in their selection of shares.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group	6,100	64	+1½
Abbey National†	3,200	410	+8
Albert Fisher	1,000	69	
Allied-Lyons†	1,300	601	+4
Anglian Water†	1,300	483	-5
Argos	2,000	327	
Argyll Group†	2,100	325	-4
Arjo Wiggins†	[illegible]	[illegible]	
Assoc. Brit. Foods†	8	[illegible]	+4
Ass. Brit. Ports	100	[illegible]	+1
BAA†	1,300	[illegible]	[illegible]
BAT Inds†	3,900	[illegible]	[illegible]
Dalgety	524	481	+6
De La Rue†	247	682	-5
Dixons	6,100	231	-5
Eastern Elect.	63	508	-2
East Midland Elect.	33	495	
Eng China Clays	270	457	+2
Enterprise Oil	284	451	
Eurotunnel Units	330	461	-5
FKI	987	164	+1
Fisons	600	169	-3
Foreign & Col. I.T.	663	248	+1½
MB Caradon†	1,200	285	-2
MEPC	1,200	475	-7
MFI	2,000	147	
Manweb	34	553	
Marks & Spencer†	3,800	369½	+2
Midlands Elect.	706	500	+1
Morrison (Wm.)	52	158	
NFC†	486	236	+1
NatWest Bank†	5,500	593	+5
National Power†	4,300	355	-3
Next	2,100	186	-2
Sears†	884	545	+1
Slough Ests	647	[illegible]	[illegible]
Smith (W.H.) A	686	467	+4
Smith & Nephew†	558	148¼	+1½
SmKl Beecham†	825	438	-11
SmKl Beecham Uts.†	1,800	386	-9
Smiths Inds.	27	379	
Southern Elect.	410	518	+2
South Wales Elect.	7	570	+1
South West Water	295	515	-3
South West. Elect.	91	515	+2

The remainder of this table (rows from Fisons onwards in the first column through to Williams Hldgs., Willis Corroon, Wimpey, Wolseley†, Yorkshire Elect., Yorkshire Water and Zeneca† in the last column) is [illegible].

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:		
Aug 2	Aug 16	Sep 6
Option Declarations:		
Aug 12	Sep 2	Sep 16
Last Dealings:		
Aug 13	Sep 3	Sep 17
Account Day:		
Aug 23	Sep 13	Sep 27

*New time dealings may take place from two business days earlier.

Large trades boost Gas

THE OIL and gas sector underperformed the wider market but provided the stock market's most active stock in British Gas where turnover reached 18m shares. Gas shares were sluggish for much of the session but picked up towards the close to end the day a net 1½ higher at 309½p.

Much of the action in the stock was concentrated in mid-session when a series of hefty individual trades, including a block of 4.8m shares, another of 4m and a number of 3m-plus trades moved through the Seaq dealing system.

Some dealers attributed the large-scale trades to a number of institutions using Gas shares, always one of the market's heaviest trading issues, as a vehicle to invest big sums of cash in the market. "If the market is rising and you want to shift cash into the market quickly, then Gas is one of the best stocks to use," said one leading trader in Gas shares.

It was also pointed out that the conclusions of the Monopolies and Mergers Commission's year-long investigation into the the gas industry will be published next week. Publication of the full document is expected on September 6.

There have been long-term worries in the market that British Gas will be dismantled as the regulatory authorities continue to seek increased competition in Gas's markets. But bulls of the stock push the view that the company offers well above average "real" dividend growth.

Drugs unsettled

A firm start to the day by the recently strongly performing drugs sector was sharply reversed just before the close of trading as the market picked up the scent of news of imminent price cuts about to be instigated by one of the leading drugs suppliers.

Rhone Poulenc was said to be about to cut prices in a move expected to be followed by other drug firms.

Glaxo, especially, was said to be exposed by price cutting moves and the shares fell heavily in late trading to close a net 12½ off at 515½p, not too far from the stocks' 1993 low of 509p. Turnover was a hefty 23m.

SmithKline Beecham also suffered, the shares drifting back from an opening 450p to close a net 11 off at 438p on 935,000 shares traded, while Wellcome dropped 22 to 654p.

Supermarket worry

The food retail sector faced another session of underperformance as investors fretted over the possibility of an MMC inquiry into food price collusion. A weekend press report suggested that the prospect of some sort of official inquiry had increased because some of the leading companies had jointly hired consultants to help fight a probe. However, Tesco managed to climb 2 to 216p, the stock having crept on to a number of brokers buy lists in the past week as some in the market have felt its recent falls overdone. Elsewhere, J Sainsbury slipped 6 to 465p and Argyll Group 4 to 325p.

Most food manufacturing stocks also spent another session under a cloud as BZW advised clients to stay underweight. Despite this, Northern Foods managed a rise of 3 to 270p, while Dalgety put on 6 to 481p.

The financial sectors of the market continued to power ahead, led by the banks. Standard Chartered maintained its recent outstanding performance, breaching the 900p level for the first time and settling at a record closing level of 899p, a net gain of 15, ahead of Thursday's interim figures.

Dealers expect the bank to report exceptionally good results, which will be boosted by the bank's pre-eminent position in trading in so-called "exotic" currencies, outside of the big D-mark, dollar, Yen and sterling activities. "There are big profits in trading in exotic currencies, where dealing spreads are much wider and margins higher," said one banks specialist.

A growing stock shortage drove HSBC shares higher, with the 75p shares closing 11 better at a record 725p.

Abbey National raced up 8 to 410p, after 412p, following a split buying order. SG Warburg was the pick of a generally firm merchant banking area, with one leading institution said to have been an aggressive buyer and keen to move to a market weighting in the stock without worrying too much about the price it paid. Warburg shares settled 11 up at a record 793p, also helped by the recent upsurge in stock market activity. Analysts also pointed to the recent spate of "flabberghastingly good" results from the likes of Midland Global Markets, BZW and NatWest Markets, as well as last week's excellent figures from Kleinwort Benson. The latter rose 3 to 492p. The boardroom shake-up boosted Union Discount 7 to 185p.

Persistent market talk of a potential bid for General Accident, with Prudential mentioned as a possible predator, and hopes of an increase in the interim dividend from 9.7p to 10p lifted GenAx shares 5 to 692p. GenAx kicks off the composite insurance sector's interim reporting season this morning. The range of analysts' forecasts is from £90m to around £125m, compared with a £21m loss last year.

Commercial Union, scheduled to report interim profits of around £60m against last times £18m loss when it reports tomorrow, rose 7 to 660p.

Talk of a consumer-led recovery continued to buoy up selected stores stocks. Storehouse was the star performer, the shares surging 7 to 218p with 3.9m traded. Dealers said Goldman Sachs was positive on the stock. GUS was lifted by the good consumer credit figures. The 'A' shares agined 25 to 2010p.

Grand Metropolitan was the outstanding feature in the drinks sector as the company announced a joint venture in Chile and continued to benefit from a broker's buy note on Friday. The shares advanced 14 to 423p.

The sale by Bass of 44 pubs to Greene King in a £17.5m deal helped both shares stay in positive territory. Bass shares climbed 3 to 479p and Greene King 2 to 367p. Elsewhere, Scottish and Newcastle, which has lagged behind in recent sessions, did some catching up. It closed 9 ahead at 458p. Whitbread was also sought by bargain-hunters, rising 13 to 520p.

Recovery talk again buoyed up the leisure sector, with the latest research note from Smith New Court underlining the more positive tone. Smith also upgraded its profits forecasts for Thorn EMI, up 10 at 945p, and Rank Organisation, ahead 9 at 759p. Hoteliers were wanted, Forte gaining 6 to 225p and Ladbroke 5 to 204p.

Scottish Power, due to go "ex-dividend" next Monday, attracted strong support from income funds, and closed 6 up at 341p.

A NatWest Securities "buy" recommendation lifted Vodafone 13 more to 509p, within 10p of its all-time high of 519p reached in June 1989. Turnover in Vodafone shares, heavily bought by US investors in recent months, reached 9.2m.

EMAP, the consumer and business magazine publisher, jumped 9 to 348p, recovering from recent weakness, on circulation gains released by Audit Bureau Circulation figures and published in the trade press over the weekend.

Shares in Europa Minerals held steady at 40p, with the market expecting a statement today concerning progress towards the three-way merger planned with Burmine and Austmin, both of Australia. The merger plan has been challenged by Mount Edon which has suggested it may offer 34p for Europa, but the stock market expects Europa to name today the blue chip merchant banker chosen to push through the intended merger with the two Australian companies.

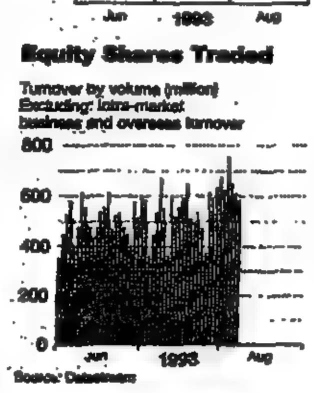
Reuters Holdings up 38 to 1573 at the day's high, before the shares closed a net 13 up at 1546p.

Among printers, De La Rue fell by 5 to 682p on profit-taking.

In a quiet textile sector, Albion, manufacturer of menswear, was up 3 to 110p.

MARKET REPORTERS:
Steve Thompson,
Christopher Price,
Zhang Tingting.

■ Other statistics, Page 18



NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (420).
BRITISH FUNDS (48) OTHER FIXED INTEREST (10) AMERICANS (4) BANKS (12) ABN, Allied Irish, Bk. Ireland, Bk. Scotland, Dai Ichi, Deutsche Bk., HSBC, HSBC (HK), Mitsubishi [illegible] ... T & N, OIL & GAS (8) OTHER FINCL (20) OTHER INDLS (6) BTR, Do Wts. '94-95, Elswick, Suter, Vinson, PACKG, PAPER & PRNTG (9) Bemrose, Britton, Esso-Guzzet, Kymmene, Low & Bonar, Macfarlane, NMC, Sonic, PROP (9) Asda 8¼pc Pf., BDA, City Site Ests., Daejan, Fletcher King, Frogmore Ests., Molyneux, Peel, Warner Est. STORES (11) Argos, Arnotts, Brown & Jackson, Carpetright, Essex Furn., Etam, Fine Art Devlps., GUS A, Next, Sears, Tie Rack, TELE NETWORKS (4) Securicor, Do N/V, Security Servs., Vodafone, TEXTS (2) Drummond, Ingham, TRANSPORT (3) Assoc. Brit. Ports, P & O 8¾pc Cv. Pf., PLANTATIONS (1) Rowe Evans, MINES (8).
NEW LOWS (17).
BRITISH FUNDS (2) Exch. 13¾pc '94, Treas. 14½pc '94, AMERICANS (1) Bethlehem Steel, BANKS (1) Espirito Santo, BLDG MATLS (1) Chatten, BUSINESS SERVS (1) Panna, CHEMS (1) Fiyso, CONTG & CONSTRCN (1) Andrew Sykes, ELECTRONICS (3) [illegible], Psion, Radius, ENG GEN (1) Ferrum, HEALTH & HSEHOLD (3) Haemocell, Tamerts, Tepnel Diagnostics, PACKG, PAPER & PRNTG (1) Elswick, STORES (1) Liberty N/V.

FINANCIAL TIMES EQUITY INDICES

	Aug 9	Aug 6	Aug 5	Aug 4	Aug 3	Year ago	*High	*Low
Ordinary share	2374.5	2361.0	2338.4	2330.3	2330.0	1731.6	2374.5	2124.7
Ord. div. yield	3.88	3.90	[illegible]	[illegible]	3.96	5.28	4.52	3.88
Earning yld % full	4.67	4.70	4.69	4.71	4.71	7.56	6.38	4.67
P/E ratio net	27.38	27.21	27.30	27.18	[illegible]	[illegible]	27.38	19.40
P/E ratio nil	25.32	25.16	25.22	25.11	25.09	15.56	[illegible]	18.14
Gold Mines	208.9	203.4	[illegible]	[illegible]	234.2	89.3	249.2	80.0

*for 1993. Ordinary share index since compilation: high 2374.5 9/8/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2365.5	2371.5	2368.3	2365.3	2367.9	[illegible]	[illegible]	2367.4	2371.6	2374.6	2364.0

Volume	Aug 9	Aug 6	Aug 5	Aug 4	Aug 3	Year ago
SEAQ Bargains	34,200	31,253	28,129	[illegible]	34,220	15,921
Equity Turnover (£m)†	-	1481.3	1414.6	1558.9	1711.1	998.9
Equity Bargains†	-	38,089	32,188	37,081	38,583	18,330
Shares traded (mil)†	-	587.1	614.5	653.4	768.3	[illegible]

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

A SUBDUED derivatives sector was reflected in poor turnover in both options and futures markets, although the recent upward momentum in the latter was maintained, writes Christopher Price.

The 4,924 contracts traded by the close in the September FT-SE was well down on the recent busy sessions. Dealers said the weekend press reports of imminent interest rate cuts backed by a bullish equity market run, were an echo of the last two weeks' trading, and there were few investors left who wanted to be convinced of the recovery story.

Trading in September during the morning session was marked by a dearth of buyers as the contract edged forward. The first trade was struck at 2,890 and glided gently forward, not finding fresh momentum until Wall Street opened strongly on the back of President Clinton's budget success.

Gilts added to the positive mood and September eventually closed with a spur at 2,999, having touched 3,000. This was a 16-point premium to the fair value level of around 3.

Traded options volume was also weak, with just 19,000 contracts being traded, around half the previous session's total. The FT-SE contract traded 4,266, with the Euro FT-SE at 1,541.

Royal Insurance topped the list of stock options, reaching 1,732 by the close. This was followed by Hanson on 1,024

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2986.4 +16.6	3399.4 +6.6	1480.86 +6.94

	Aug 9	Day's change %	Aug 6	Aug 5	Aug 4	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
FT-SE 100	2986.4	+0.6	2969.8	2943.4	2941.3	2325.7	3.83	5.60	[illegible]	57.86	1078.34
FT-SE Mid 250	3399.4	+0.2	3392.8	3362.3	3349.4	2224.4	3.56	5.74	21.62	62.68	1217.87
FT-SE Mid 250 ex Inv Trusts	3413.2	+0.2	3407.1	3376.6	3363.2	2234.0	3.66	6.13	20.40	64.15	1218.33
FT-SE-A 350	1498.6	+0.5	1489.4	1476.2	1474.1	1123.2	3.77	5.70	21.78	28.67	1105.65
FT-SE SmallCap	1688.79	+0.4	1682.55	1672.16	1667.58	-	[illegible]	4.09	33.97	26.72	1285.42
FT-SE SmallCap ex Inv Trusts	1678.56	+0.4	1672.18	1662.05	1657.85	-	3.53	[illegible]	31.62	27.34	1258.80
FT-A ALL-SHARE	1480.86	+0.5	1473.92	1461.08	1458.84	1107.15	3.74	5.60	22.26	28.08	1113.67
1 CAPITAL GOODS(214)	1073.77	[illegible]	1067.26	1056.45	1052.41	705.43	3.72	3.95	33.51	21.41	1260.92
2 Building Materials(28)	1141.95	+0.5	1136.57	1123.32	1117.75	713.41	4.11	3.39	41.43	21.58	1319.37
3 Contracting, Construction(29)	992.53	+0.6	986.16	970.69	970.55	555.74	3.31	1.32	80.00†	14.25	1370.41
4 Electricals(15)	3191.56	+0.2	3185.38	3135.21	3136.79	2042.08	4.24	4.62	27.76	67.43	1286.62
5 [illegible]	2904.85	+0.9	2880.75	2877.20	2892.81	1864.56	2.98	5.76	21.42	62.42	1271.58
6 Engineering-Aerospace(7)	442.81	+1.3	437.10	[illegible]	428.82	[illegible]	3.33	‡	‡	6.61	1528.95
7 Engineering-General(48)	626.79	+0.7	622.36	615.58	608.65	423.00	3.47	[illegible]	21.39	11.22	1252.47
8 Metals & Metal Forming(10)	461.29	+0.4	459.57	[illegible]	455.89	275.98	2.37	‡	‡	6.37	1456.78

[illegible]

Hourly movements

[illegible]

FT-SE Actuaries 350 Industry Baskets

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

OTHER FIXED INTEREST

[illegible]

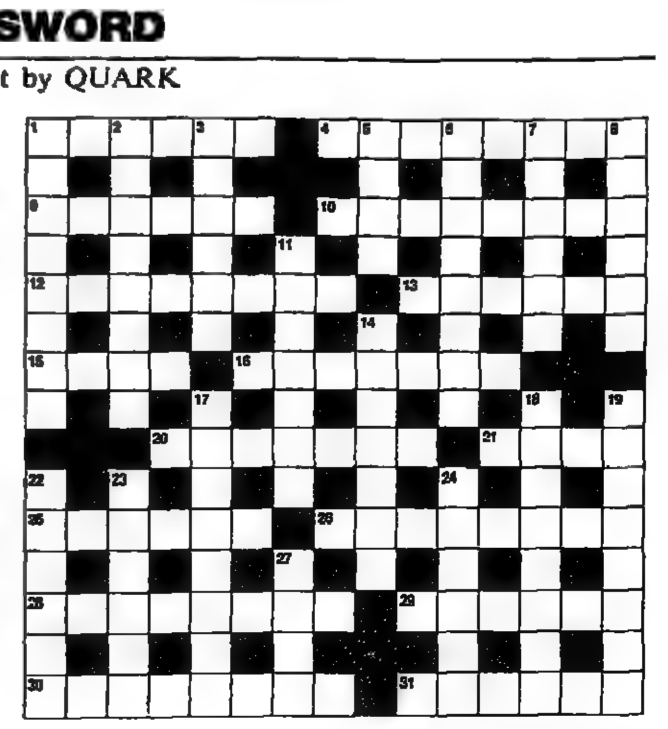
Continued on next page

CROSSWORD

No.8,224 Set by QUARK

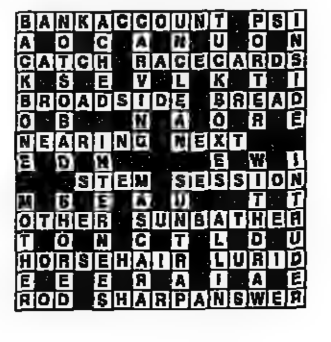
ACROSS
1 and 4 State boon altered political group's attack on taxes (6,3,5)
9 Sour about one in the money (6)
10 Crazy gear – everything left going for a song (8)
12 Part demonstration (8)
13 The contribution of farmer in offering sheep (6)
15 There's one round Washington State (4)
16 Fear-led upset relating to the Union (7)
20 Polish picture border (7)
21 Fair appeal followed by duck (2,2)
25 Worthless attempt involving a call for silence (6)
26 It could be ending in court (3,5)
28 Jockey's concern could be giving up (8)
29 Terrible risk, child getting liqueur (6)
30 and 31 Row in China? (5,2,1,6,)

DOWN
1 Preclude drinking place? One's caught. Cruel! (8)
2 We hear the perfume's cheaper removed from the college (4,4)
3 Drug ring head's one captured (6)
5 Cheese, processed, going up (4)
6 Standard means for processing cheese? (8)
7 The man's bit of advice at home to recover (6)
8 Cowardly shout with exclamation of pain (6)
11 Police disturbed about source of murder controversy (7)
14 Cause to settle kind of account (7)
17 Mad rush – MO's outside with order to expand rapidly (8)
18 In support of, since perhaps used in court of law (8)
19 Place for crafts in hospital in mining town (8)
22 Working groups in the county (6)
23 The head's style? (6)
24 Do one a favour. Bind? (6)
27 Part of the piano needing returning in a short while (4)



JOTTER PAD

Solution 8,223



LONDON SHARE SERVICE

AMERICANS

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

هكذا من الاصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
e Cents.
f Flat yield
g Assumed dividend yield after rights issue
h Assumed dividend yield after scrip issue.
o Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
H Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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State Street Unit Trust Mngmt Ltd (1400)F
28 King Street, London SW1 6QW 071-344 7000

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global A	5¼	[illegible]	2.678	2.907	—	1.22
Uk Equities	5¼	[illegible]	2.166	2.301	—	1.16
Far East Equities	5¼	[illegible]	243.5	258.6	—	—
Japan Equities	5¼	[illegible]	250.0	265.5	—	—
FT Europe	5¼	115.2	115.3	122.4	—	2.13
FT North American	5¼	[illegible]	1.771	1.814	—	1.32
FT Japan	5¼	[illegible]	250.0	265.5	—	—
FT Asia Ex Japan	5¼	[illegible]	1.988	2.080	—	1.46

Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5	345.4	345.4	369.3	+0.8	0.32
(Accum Units)	5	407.2	407.2	434.2	+0.9	0.32
British	5	973.8	973.8	[illegible]	+3.5	2.04
(Accum Units)	5	1707.1	1707.1	[illegible]	+6.6	2.04
Emerging Markets	5	110.8	[illegible]	118.6	-0.2	0.20
(Accum Units)	5	111.0	111.2	119.0	-0.2	0.20
European	5	401.2	401.2	427.3	-0.8	1.35
(Accum Units)	5	440.5	440.5	469.7	-0.5	1.35
Japan	5	155.6	155.6	165.2	-0.5	—
(Accum Units)	5	156.8	156.8	166.5	-0.5	—
New Pacific	5	313.5	314.8	335.7	-1.3	0.97
(Accum Units)	5	328.3	329.9	351.4	-1.3	0.97
Investment Tst	5	199.6	202.6	214.1	+1.1	7.65
(Accum Units)	5	222.8	225.4	238.9	+1.2	1.68
Large Equity	5	156.7	156.5	167.7	+0.6	1.50
All UK Equity Acc	5	171.7	172.7	183.6	+0.5	1.50
Mngd Cash	0	95.73	95.73	95.73	—	5.17
(Accum Units)	0	128.6	128.6	128.6	—	5.17
Majority Gilt	1	98.93	98.93	[illegible]	+0.03	4.84
Majority Gilt Acc	1	118.82	118.82	[illegible]	+0.03	4.84

Sun Alliance Unit Tst Mngmt Ltd (1200)F
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 [illegible]

[illegible]

Lazard Investors Ltd ‡
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's Jul 30	£5709.6	5411.1	—	2.44
European Aug 4	£731.6	729.1	—	1.48
American Aug 4	£434.2	438.1	—	1.47
Japan Aug 4	£811.1	818.5	—	0.40
Pacific Aug 4	£198.7	202.2	—	0.86
Managed Gth Jan 30	£128.30	140.10	—	3.7

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Property Jul 31	178.80	182.15	—	8.74
Equity Jul 31	1042.10	1058.70	—	2.84

* Available only to Local Authorities

M & G Securities Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Charibond Cl		114.83	+0.6	9.85
(Accum Units)		806.62	+4.4	6.39
NAACF Cl		47.45	+0.3	7.28

Martin Jupiter Unit Trust Managers Ltd
Martin Jupiter Exempt Trust

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity	£12.51	12.73	+0.46	—

Morgan Grenfell Investment Funds Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity † Aug 3	169.8	174.6	—	2.61
UK Small Co † Aug 3	603.0	623.7	—	3.01
Fixed Interest † Aug 3	127.0	127.9	—	8.85
Intl Bond Aug 3	147.4	148.8	—	7.70

Morgan Stanley International

	Bid Price	Offer Price	+ or -	Yield Gross
UK Exempt NAV		£1408.80	—	—
Overseas Exempt NAV		£1360.75	—	—

Allied Dunbar Assurance Plc - Contd.
Pension Funds

[illegible]

American Life Insurance Co UK
2-8 Altyre Road, Croydon

[illegible]

Barclays Life Assur. Co Ltd
252 Romford Road, London

[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

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Prudential Assurance Co

Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Prufund				
Managed Aug 4	310.1	323.1	—	–

Prudential Corporate Pension Funds

55 King's Road, Reading RG1 3AH 0734 494882

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Managed Funds				
Discretionary Jul 28	£225.23	242.67	+2.88	–
Equity Jul 28	£262.09	271.31	+3.69	–
International Jul 28	£39.95	41.05	+0.58	–
Intl Bond Jul 28	£20.72	20.98	+0.17	–
Fixed Int Jul 28	£128.60	128.31	-0.66	–
Index Linked Jul 28	£92.55	93.69	+0.13	–
Property Jul 28	£117.23	117.34	—	–
Cash Jul 28	£33.70	33.70	+0.03	–
Pre-United Retirement Plan				
Managed Jul 28	543.10	567.90	+5.90	–
Cash Jul 28	306.20	318.00	+0.40	–
Prudential Pensions Investment Account				
Pens Mngd	222.70	239.40		–
Pens Mngd A	99.70	105.00		–
Pens UK Eq	374.20	403.40		–
Pens Intl	284.90	305.50		–
Pens Global Eqty	126.00	132.70		–
Pens Fixed	289.40	305.80		–
Pens Index. Li.	238.30	249.30		–
Pens Property	90.40	95.20		–
Pens Cash	199.40	209.90		–
Money Purchase Plan				
Discretionary (2)	129.40	136.80		–
Equity (2)	132.60	142.90		–
International (2)	131.20	140.10		–
Global Equity (2)	131.80	141.50		–
Intl Bond Fab (2)	143.20	150.80		–
Fixed Interest (2)	143.50	150.90		–
Index Linked (2)	129.60	135.40		–
Property Fab (2)	101.20	110.80		–
Cash (2)	115.20	120.90		–

Prudential Individual Life Funds

55 King's Road, Reading, RG1 3AH 0734 494882

	Bid Price	Offer Price	+ or -	Yield Gross
Series I Life Funds				
Managed	722.7	760.8	+1.8	–
Equity	1402.8	1476.7	+4.7	–
Fixed Interest	591.8	623.0	+2.4	–
Property	393.7	414.5	—	–
Cash	366.1	385.4	+0.1	–
International	673.2	603.4	+1.1	–

Scottish Amicable - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Others				
Capital Guarantee Bond	102.5	107.9	—	–

Scottish Equitable Life Assce. Soc.

28 St Andrew Sq, Edinburgh 031-556 9101

	Bid Price	Offer Price	+ or -	Yield Gross
Mixed	236.0	248.4	+0.3	–
UK Equity	223.7	235.4	+1.4	–
International	238.6	251.2	+0.5	–
American	237.0	249.4	—	–
European	224.4	236.2	+1.7	–
Japan	253.6	266.9	-0.9	–
Pacific	331.3	348.7	-0.7	–
Technology	310.1	326.4	-0.1	–
Fixed Interest	178.5	187.9	+1.2	–
Indexed Linked	158.3	166.6	+0.1	–
Foreign Bond/Currency	224.7	236.5	+0.3	–
Cash	173.609	182.746	+0.058	–
Ethical	120.6	127.0	+0.5	–
Pens Mixed	676.0	711.6	+0.8	–
Pens UK Equity	754.0	793.8	+3.3	–
Pens International	736.7	775.5	-0.7	–
Pens American	239.7	252.3	-0.9	–
Pens European	261.2	275.0	+2.8	–
Pens Japan	306.5	322.6	-1.5	–
Pens Pacific	376.0	395.7	-0.9	–
Pens Fixed Interest	363.6	382.7	+2.2	–
Pens Index Linked	196.4	206.7	-0.2	–
Pens Cash	276.642	291.202	+0.118	–
Pens Property	213.30	224.50	—	–
Pens Ethical	155.1	163.2	+0.7	–
Edinburgh Inv	363.4	382.5	+3.6	–
Baillie Gifford Japan	251.7	265.0	+4.2	–

Scottish Life Investments

19 St Andrew Square, Edinburgh 031-225 2211

	Bid Price	Offer Price	+ or -	Yield Gross
Property	179.4	189.0	+0.1	–
UK Equity	329.3	346.7	—	–
American	239.1	251.6	-0.9	–
Pacific	326.8	344.1	-2.0	–
European	422.4	444.7	+0.2	–
International	287.1	302.3	-0.8	–
Fixed Interest	239.6	252.4	+0.5	–
Index Linked	194.3	204.6	+0.1	–
Deposit	185.8	195.7	+0.1	–
Managed	264.8	278.8	-0.3	–
Worldwide	115.3	121.5	+0.1	–
With Profits Pens	85.6	90.2	—	–
Pens. Property	209.4	220.5	+0.1	–
Pens. UK Equity	391.4	412.1	-0.1	–
Pens. American	266.4	280.5	-1.3	–
Pens. Pacific	371.5	391.5	-2.7	–

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

OFFSHORE INSURANCES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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Standard Bank Fund Mgmt (Jersey) Ltd

PO Box 583, St Helier, Jersey CI

TSB Trust Funds (CI)

PO Box 538, St Helier, Jersey

JERSEY (REGULATED)(**)

Barclays Intl Funds

Asian Selection Funds

Barclays Inv Funds (Luxembourg)

CMI Asset Management (Luxembourg) SA

Latin American Securities Ltd (a)

Liberty ALL-STAR World Portfolio-Eqty Fd(ar)

Lloyds Bank Luxembourg

Credit Lyonnais Rouse (Bermuda) Ltd

Credit Suisse

Rosenberg US Japan Mngmt Co SA

Edmond de Rothschild Group

Scudder, Stevens & Clark

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Franc weakens on rate cut

THE French franc weakened sharply against the D-Mark yesterday after the Bank of France decided to ease monetary policy for the first time since the widening of the exchange rate mechanism's bands, *writes James Blitz*.

The Bank of France cut its overnight rate of lending from 10 per cent to 9.75 per cent. The move immediately led to a sharp weakening of the franc from about FFr3.490 to FFr3.509, a drop of nearly 2 centimes. The currency recovered as European trading continued, but at the London close it was coming under pressure again, closing at FFr3.507.

Last week, the Bank of France managed to keep the franc above the FFr3.50 level by keeping liquidity low in its money market.

But yesterday's move smacked of the worst of all worlds: showing the market that interest rates are coming down and that there will be a smaller premium on francs, but not sufficiently boosting the French economy to promote the franc on more fundamental grounds.

With a poor foreign exchange reserve position, France may have to take a cautious approach on rate cutting to keep the franc strong. But the prospects for maintaining *franc fort* against the D-Mark look bleak, whatever happens to interest rates.

At the weekend, Mr Johann Wilhelm Gaddum, the Bundesbank vice-President, said that the market should expect German interest rates to come down quickly, despite the additional liquidity in the market. This helped to push the D-Mark up against most European currencies yesterday.

Moreover, dealers think that European central banks will buy D-Marks in waves in the next few months to repay the Bundesbank for supporting their currencies in the recent crisis. The Bundesbank needs to drain the markets of D-Marks to restore money supply growth to its target range.

Those factors helped to push down the Danish krone and the Belgian franc yesterday in spite of the continuing tightness of their policy in money markets.

The Belgians waived their money market tender, but their currency fell to a low of BFr21.4023 and later closed at BFr21.34. The Danish krone closed at DKr4.0424 to the D-Mark having been as low as DKr4.0532 at one stage.

Floating currencies also fared badly against a background of D-Mark appreciation. The dollar closed at DM1.6970 down from a previous DM1.6975, despite a lack of any new data in the US. Sterling lost ¾ of a pfennig against the D-Mark, despite strong credit business figures for June. It closed at DM2.5350.

In both cases the fall may partly have been due to both these currencies losing their safe haven status as calm returns to European markets.

The Italian lira bottomed out at L952.51 to the D-Mark and closed in London at L950.3 amid expectations of sharp cuts in Italian interest rates.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 9	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Dutch Guilder	2.19672	2.16226	-1.57	6.13	-
D-Mark	1.94964	1.92181	-1.43	5.98	-
Irish Punt	0.808628	0.808832	0.03	4.44	0
Belgian Franc	40.2123	40.6946	1.20	3.23	-9
Portuguese Escudo	192.854	196.405	1.84	2.58	-12
Spanish Peseta	154.250	158.520	2.77	1.65	-19
French Franc	6.53883	6.72540	2.85	1.57	-24
Danish Krone	7.43679	7.76912	4.47	0.00	-31

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

£ IN NEW YORK

Aug 9	Latest	Previous Close
£ Spot	1.4895-1.4905	1.4977-1.4987
1 month	0.39-0.37pm	0.37-0.34pm
3 months	1.00-0.97pm	0.99-0.96pm
12 months	2.77-2.67pm	2.68-2.58pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug 9	Previous
8.30 am	81.3	81.4
9.00 am	81.3	81.4
10.00 am	81.4	81.3
11.00 am	81.4	81.3
Noon	81.3	81.2
1.00 pm	81.3	81.2
2.00 pm	81.3	81.3
3.00 pm	81.3	81.4
4.00 pm	81.3	81.2

POUND SPOT - FORWARD AGAINST THE POUND

Aug 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4930 - 1.4980	1.4930 - 1.4940	0.39-0.37cpm	3.05	1.00-0.97pm	2.64
Canada	1.9260 - 1.9340	1.9305 - 1.9315	0.36-0.33cpm	2.21	0.90-0.82pm	1.78
Netherlands	2.8460 - 2.8615	2.8475 - 2.8575	par-¼cdis	-0.53	⅛-⅜dis	-0.31
Belgium	53.70 - 54.30	53.80 - 53.50	15-32cdis	-5.24	30-47dis	-2.86
Denmark	10.1770 - 10.2890	10.2250 - 10.2350	6-13oredis	-11.14	15-23dis	-7.23
Ireland	1.0640 - 1.0730	1.0640 - 1.0650	0.03-0.06cdis	-0.51	0.09-0.14dis	-0.43
Germany	2.5325 - 2.5430	2.5325 - 2.5375	⅛-¼pfdis	-0.89	⅛-⅜dis	-0.60
Portugal	258.75 - 259.95	258.80 - 259.60	102-159cdis	-6.18	317-418dis	-5.67
Spain	207.25 - 210.35	209.10 - 209.40	94-113cdis	-5.94	261-310dis	-5.46
Italy	2392.35 - 2415.80	2408.25 - 2409.25	7-8liredis	-3.99	20-22dis	-3.49
Norway	10.9630 - 11.0550	11.0050 - 11.0150	1-¾orepm	0.48	1½pm-par	0.27
France	8.8585 - 8.9175	8.8850 - 8.8950	2½-3⅝cdis	-4.30	4½-5⅝dis	-2.42
Sweden	11.7695 - 11.9364	11.8050 - 11.8150	1⅞-3⅜oredis	-2.79	5-6⅛dis	-1.95
Japan	156.50 - 157.00	156.00 - 157.00	⅜-¼ypm	2.98	1⅛-⅞pm	2.56
Austria	17.78 - 17.89	17.78 - 17.81	⅛-1⅞grodis	-0.99	1⅛-3⅛dis	-0.62
Switzerland	2.2400 - 2.2545	2.2400 - 2.2500	⅛-⅛cpm	1.34	⅛-⅛pm	1.11
Ecu	1.3220 - 1.3325	1.3290 - 1.3300	0.33-0.37cdis	-3.11	0.58-0.66dis	-1.87

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.68-1.63pm. 12 Month 2.70-2.60pm

CURRENCY RATES

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

MONEY MARKETS

French futures tumble

FRENCH interest rate futures tumbled yesterday after the Bank of France disappointed dealers by only reducing the cost of overnight funds by a ¼ of a percentage point, *writes James Blitz*.

Yesterday's easing in monetary policy was the first since the widening of the exchange rate mechanism's bands more than a week ago. But the scale of the move, which pushed the cost of overnight money down to 9.75 per cent, gave the impression that France is still trying to hang on to the D-Mark's coat-tails in the ERM, and that rates will come down slowly.

UK clearing bank base lending rate 6 per cent from January 26, 1993

The Bank of France's strategy failed to impress money market dealers. The franc dropped nearly 2 centimes, underlining that tight monetary policy is not credible as far as the markets are concerned. The Bank also added FFr18.9bn to the money market in its domestic tender, too small a sum to bring cash rates down by much.

Three month French francs closed more-or-less unchanged by the end of the day at 8 per cent. The September French franc contract dropped 40 basis points, from a high of 93.50 at the start of the day to close at 93.10.

Interest rate futures dealers took the view that German rates will be about ½ percentage point lower than French rates in two months time. It is only in December that futures dealers are discounting lower rates in France than Germany.

Euromarks were nevertheless a touch lower yesterday after Mr Johann Wilhelm Gaddum, the Bundesbank's vice-president, said at the weekend that dealers could not expect big cuts in interest rates in the next few months. The September Euromark contract was down 6 basis points at 93.51. There were expectations that the Bundesbank would again hold a fixed rate repo at 6.80 per cent for 14 day maturities, only 5 basis points above the Discount rate level.

The downbeat atmosphere affected sterling markets where the September sterling contract fell 9 basis points to close at 94.16. Rates in the cash market were kept high by difficulties removing a large £1.55bn shortage. There was £730m of late assistance and the overnight rate was as high as 11 per cent at one stage. Three month money was slightly lower at 5.70 per cent from 5.75 per cent earlier in the day.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
118	-	-	-	0.01	-	-
119	-	2.61	-	0.02	0.30	-
120	1.95	-	-	0.04	0.51	-
121	1.11	1.43	-	0.16	-	-
122	0.45	0.92	-	0.49	1.34	-
Open int	149,086	67,355	21,290	219,884	84,804	15,295

Estimated volume 49,520 † Total Open Interest 567,894

† All Yield & Open interest figures are for the previous day.

POUND - DOLLAR

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs.	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	United Bk of Kuwait	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	Unity Trust Bank Plc	6
Barclays Bank	6	●Hill Samuel	6	Western Trust	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
●Brown Shipley	6	Hongkong & Shanghai	6	Wimbledon & Sth West	7
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | ITALY | NORWAY | NETHERLANDS | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | HONG KONG | MALAYSIA | SINGAPORE

[illegible]

CANADA

TORONTO — 4 pm close August 9 — Quotations in cents unless marked $

[illegible]

12500	Celanese	$52¾	52¾	52¾
186	CntCpital	26	26	26
142400	Cinepx Odn	355	340	355 +10
31000	Cntrl Fd A	57	6⅞	7 +⅛
89514	Cominco	$15¾	15¼	15¼ -¼
85400	Coputalog	292	260	260 -31
55541	Corel Sys	$24	23¾	24 +¼
26000	CoscanDev	195	180	189 +6
126283	CrownX A	365	350	350 -15
60061	Labatt	$22⅝	22⅜	22⅝ +⅛
1505730	Lac Minls	$11⅝	11¼	11½ +⅜
2800	Lafarge	$21¾	21¾	21¾
6200	Laidlaw A x	$8⅞	8⅞	8⅞ -⅛
227610	Laidlaw B x	$9⅛	8¾	9 +⅛
600	Laurent Bk	$17⅝	17⅝	17⅝ -⅛
700	Laurent Gp	$6⅞	6⅞	6⅞
3945	Lawson Mar	$9¾	9⅝	9½ -⅛
37680	RogersCmb	$18¾	18⅝	18⅝
100	Rothmans	$101	101	101
875274	RoyalBkCan	$28⅛	27⅞	28 +⅛
766835	Ryl Oak Mn	$7	6¾	6⅞ +⅛
510	StLawrCm A	$8	8	8
62384	SceptreRs	$10½	10¼	10⅜ +⅛
2534	ScottPaper	$11⅛	11	11⅛
7300	Scotts Hos.	$8½	8½	8½ -⅛
118170	Seagram Co	$33½	33	33⅝ +⅜

MONTREAL — 4 pm close August 9

98159	NatBk Can	$10½	10¼	10½ +¼
500	Quebecor A	$20⅝	20⅝	20⅝
2000	Teleglobe	$16½	16⅛	16⅛ +⅛
2530	Univa	$7¾	7⅝	7⅝ +⅛
37385	Videotron	$23	22⅞	23

Total Sales 37,346,568 shares

INDICES

NEW YORK

DOW JONES	Aug 6	Aug 5	Aug 4	Aug 3	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3560.43	3548.97	3552.06	3561.27	3567.70 (26/7)	3241.95 (20/1)	3567.70 (26/7/93)	41.22 (2/7/32)
Home Bonds.	108.72	108.57	108.43	108.47	108.72 (6/8)	103.49 (11/1)	108.72 (6/8/93)	54.99 (1/10/81)
Transport	1603.34	1592.57	1612.75	1612.10	1683.08 (16/4)	1453.64 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	250.86	252.04	251.25	251.58	252.04 (5/8)	217.14 (8/1)	252.04 (5/8/93)	10.50 (8/4/32)

DJ Ind. Day's High 3583.35 (3574.12) Low 3536.12 (3523.54) (Theoretical♦)
Day's High 3565.74 (3560.15) Low 3548.97 (3537.80) (Actual♦)

STANDARD AND POOR'S

	Aug 6	Aug 5	Aug 4	Aug 3	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	448.68	448.13	448.54	449.27	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials♥	507.59	506.57	507.58	508.55	524.99 (10/3)	496.48 (28/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	46.59	46.43	46.37	46.23	46.67 (13/4)	39.89 (8/1)	46.67 (13/4/93)	8.64 (1/10/74)
NYSE Composite	248.91	248.54	248.93	249.25	251.36 (10/3)	236.21 (8/1)	251.36 (10/3/93)	4.46 (28/4/42)
Amer Mkt. Value	435.34	435.53	436.40	437.29	440.95 (4/6)	395.84 (8/1)	440.95 (4/6/93)	29.31 (9/12/72)
NASDAQ Composite	718.09	715.50	713.79	709.01	718.09 (6/8)	645.87 (26/4)	718.08 (6/8/93)	54.87 (31/10/72)

	Jul 30	Jul 23	Jul 16	year ago (approx.)
Dow Industrial Div. Yield	2.88	2.93	2.95	3.07
	Aug 4	Jul 28	Jul 21	year ago (approx.)
S & P Industrial div. yield	2.53	2.59	2.55	2.68
S & P Indl. P/E ratio	25.09	25.06	25.09	29.50

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Eastman Kodak	6,578,060	58½	+ 3¼
Mylan Labs.	3,795,600	23¾	+ 2½
Motor Coach	2,534,700	12½	+ ⅛
K Mart	2,338,300	22	—
Merck	2,351,200	30¼	—
Homestake	2,350,100	19⅛	+ ¼
Chrysler	2,334,000	41⅞	- 1
Amer Barrick	2,306,600	24½	+ ¼
Sunshine Mining	2,007,300	2¾	—
Sears Roebuck	1,773,300	55	+ 1⅞

TRADING ACTIVITY

† Volume (Millions)	Aug 6	Aug 5	Aug 4
New York SE	215.496	245.762	231.689
Amex	18.727	20.538	22.811
NASDAQ	(u)	269.817	235.375
NYSE			
Issues Traded	2,580	2,575	2,562
Rises	974	895	973
Falls	873	1,037	920
Unchanged	733	643	669
New Highs	99	115	118
New Lows	28	26	28

CANADA

TORONTO	Aug 6	Aug 5	Aug 4	Aug 3	1993 HIGH	1993 LOW
Metals & Minerals	3014.66	3025.10	3033.65	3006.45	3033.65 (4/8)	2743.31 (21/1)
Composite	3960.00	3947.60	3968.50	3976.50	3997.72 (2/7)	3275.80 (21/1)
MONTREAL Portfolio	1898.96	1896.80	1907.82	1901.08	1938.10 (25/6)	1730.97 (21/1)

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's) ♥ Subject to official recalculation.

	Aug 9	Aug 6	Aug 5	Aug 4	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1844.3	1842.2	1865.3	1861.2	1865.30 (5/8)	1495.00 (13/1)
All Mining (1/1/80)	864.7	863.7	901.0	900.1	904.50 (2/8)	584.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	397.10	391.87	391.20	391.98	397.10 (9/8)	300.25 (14/1)
Traded Index (2/1/91)	1005.03	989.30	981.60	982.00	1005.03 (9/8)	712.06 (15/1)
BELGIUM						
BEL20 (1/1/91)	1343.14	1342.69	1323.51	1331.44	1344.63 (2/8)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	324.41	323.81	321.99	325.37	328.95 (3/8)	261.90 (4/1)
FINLAND						
HEX General (28/12/90)	1388.7	1382.3	1333.0	1331.8	1389.70 (9/8)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	583.42	577.48	571.38	573.71	583.42 (9/8)	471.24 (13/1)
CAC 40 (31/12/87)	2138.52	2149.83	2115.30	2101.36	2149.83 (6/8)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	724.33	726.08	721.06	725.82	726.08 (6/8)	596.92 (14/1)
Commerzbank (1/12/53)	2060.5	2066.4	2051.9	2065.3	2066.40 (6/8)	1694.30 (14/1)
DAX (30/12/87)	1872.3	1869.38	1860.70	1860.56	1872.30 (9/8)	1516.60 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	7382.22	7396.77	7307.54	7164.20	7447.24 (27/5)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1719.04	1691.94	1683.82	1684.63	1719.04 (9/8)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	590.51	581.45	580.47	581.84	590.31 (9/8)	448.33 (6/1)
MIB General (4/1/93)	1300.0	1281.0	1279.0	1282.0	1300.00 (9/8)	982.00 (11/1)
JAPAN						
Nikkei (16/5/49)	20483.05	20357.94	20425.64	20497.55	21076.00 (3/8)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1659.01	1654.59	1661.82	1671.64	1676.13 (3/8)	1250.06 (25/1)
2nd Section (4/1/68)	2225.70	2219.63	2227.44	2229.44	2254.97 (7/8)	1661.72 (25/1)
MALAYSIA						
KLSE Composite (4/4/86)	779.97	778.66	786.49	781.99	786.49 (5/8)	614.25 (13/1)
NETHERLANDS						
CBS Tr Rtn Gen. (End 1983)	364.0	362.7	362.0	362.5	364.00 (3/8)	298.70 (4/1)
CBS All Shr (End 1983)	238.9	235.0	237.6	237.9	238.90 (3/8)	193.60 (13/1)
NORWAY						
Oslo SE Ind. (2/1/83)	579.56	595.73	583.93	585.92	599.62 (9/8)	463.32 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1715.79	1743.97	1760.82	1768.4	1780.32 (3/8)	1272.65 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	(c)	471.94	470.13	470.12	471.94 (6/8)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1968.0♥	1914.0	1875.0	2015.0	2095.00 (30/7)	775.00 (5/1)
JSE Industrial (28/9/78)	4503.0♥	4560.0	4574.0	4589.0	4719.00 (8/7)	4330.00 (18/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	709.59	721.48	732.65	720.02	777.25 (8/5)	625.93 (8/2)
SPAIN						
Madrid SE (30/12/85)	270.92	271.37	270.19	270.60	271.74 (2/8)	215.63 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1258.0	1250.1	1241.5	1219.1	1256.00 (3/8)	979.10 (29/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1046.8	1044.1	1043.9	1043.0	1046.50 (8/8)	904.69 (11/1)
SBC General (1/4/87)	834.5	835.9	838.2	836.5	838.20 (5/8)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	4082.73	4025.93	4065.52	4046.21	5013.28 (7/4)	3058.43 (9/1)
THAILAND						
Bangkok SET (30/4/75)	952.77	958.84	949.26	945.36	998.44 (25/1)	875.84 (1/6)
WORLD						
M.S. Capital Intl.(1/1/70) $	585.2*	583.5	583.0	584.3	586.20 (6/8)	488.60 (13/1)
Euro Top-100 (26/6/90)	1098.17	1092.58	1086.77	1083.34	1098.17 (9/8)	882.73 (13/1)

**Saturday, August 7. Taiwan Weighted Price: 4026.64, Korea Comp Ex: 716.58.
♥ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 25 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Monday, August 9, 1993

	Stocks Traded	Closing Prices	Change on day
Sharp Corp	2.9m	1,400	+10
Fuji Oil	2.7m	1,040	+45
Matsushita E Ind	2.5m	1,380	-30
Takasago Intl Co	2.2m	860	-15
Daiwa Sec	2.1m	1,340	
NEC Corp	2.1m	980	+9
Sumitomo Mtl Min.	1.9m	1,020	+10
Nikko Sec	1.8m	1,180	+10
Nippon Kayaku	1.8m	910	+17
Nippon Steel	1.7m	367	-4

4 pm close August 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	1993 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14⅝	11½	AAR Corp	0.48	3.5	[illegible]	78	13⅝	13½	13⅝	-⅛
29⅜	13¾	A L Labs A	0.18	1.0	34	935	17⅜	16⅞	17⅜	+⅝
64¾	54⅝	AMP Inc	1.60	2.5	23	5312	u65⅜	64¾	65⅛	+⅝
72¾	55½	ANR			16	5079	65½	64⅝	64⅝	+¼
2¾	1¾	ARX			14	96	2½	2⅜	2⅜	-⅛
51½	29⅞	ASA	2.00	4.3	30	1116	46⅛	45½	46⅛	+1
30¾	22⅝	Abbott Lab	0.68	2.8	15	17718	24¾	23¾	24¼	-⅜
12⅝	9⅝	Abitibi Pr	0.50	4.8	4	15	10⅜	10¼	10⅜	
14¼	8¼	Acpincein			231	129	13⅞	13¾	13⅞	
32	25½	ACE Ltd	0.40	1.2		2054	u32½	30⅞	32½	+2
12	10¾	ACM Gvt In x	0.96	8.3		818	11½	11⅜	11½	+1/16
10	9⅛	ACM GvOpp x	0.80	8.0		187	u10	9⅞	10	+.80
9⅞	8¾	ACM Gvt Sp x	0.80	8.7		739	9⅜	9¼	9¼	-¼
11⅝	10½	ACM Gvt Se x	0.96	8.8		575	11	10⅞	10⅞	-⅛
11⅝	9⅝	ACM Man x	1.08	9.4		284	11½	11⅜	11½	
9⅞	8⅝	ACM Managd x	0.72	7.6		59	9¼	9⅛	9¼	+1/16
12⅜	7¾	Acme Cleve	0.44	4.2	14	140	10¾	10½	10½	-¼
9¼	6½	Acme Elect			254	34	7⅝	7⅝	7⅝	
24⅞	18¾	Acordia	0.44	1.8	14	14	u24⅞	24¾	24¾	-⅛
18	10⅜	Acuson			32	256	12⅛	11⅞	11⅞	
22¼	19⅝	Adams Expr	0.48	2.4	1	166	20¼	20⅛	20⅛	
66	45½	Adv Micro	3.00	5.0		276	60¼	59	59¾	-¼
32⅜	17⅝	Adv Micro P	3.00	10.5	11	13183	29	27¾	28⅝	+⅜
7¾	5½	Advest Grp	0.16	2.6	10	580	6¼	5¾	6⅛	+⅜
24¾	16½	Advo Inc	0.08	0.5	17	270	16⅝	d16¼	16¼	-¼
48⅜	41⅞	Aegon ADR	2.95	6.3	9	78	47¼	46⅞	46⅞	+⅛
60	43⅞	Aetna Lf	2.76	4.7	40	1906	58⅞	58⅛	58⅝	+⅜
14½	11½	AHI A	0.26	1.8	30	1249	14⅜	14⅛	14¼	
32¾	28⅜	Aflac	0.40	1.3	15	2330	31⅛	30⅛	31	+⅝
22⅛	16¾	Ahmanson	0.88	4.5	22	1112	19⅝	19⅜	19⅜	-¼
7¾	4	Aileen Inc			7	134	5	4¾	4¾	-¼

Continued on next page

4 pm close August 9

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
22	15½	S Atla Rt	1.36	7.7	17	181	17⅝	17⅜	17⅝	+⅛
20¼	15⅝	SCOR US Cp	0.32	2.1	193	10	15½	d15½	15½	-¼
29¾	20	SPS Techno	1.28	4.5	21	124	28⅝	28½	28½	
14½	12⅞	Sabine Rt	1.80	12.7	10	68	14¼	13⅞	14⅛	+⅛
13⅝	8⅞	Safecard	0.20	1.5	12	53	13⅜	13¼	13⅜	-⅛
21½	16⅞	Safeg'd Sc			9	13	19⅝	19⅝	19⅝	+⅛
24¾	14⅞	SafetyKln	0.36	2.4	22	2963	14⅞	14⅝	14¾	-⅛
18¾	10⅞	Safeway			28	1374	18⅝	18⅛	18¼	
4⅛	2	SafewayW98				176	4	3⅞	3⅞	-⅛
44½	37½	StJoePaper	0.20	0.5	101	141	44	42⅝	42⅝	-1⅜
37¾	31	StJosL&P	1.76	4.8	14	5	36¾	36¼	36¾	
90¼	75	St Paul's	2.80	3.1	14	394	u90¾	89⅞	90¾	+⅝
11⅞	7⅞	Salant Crp			5	2	9⅝	9⅛	9¼	-⅛
75¾	36⅞	Sallie Mae	1.20	2.5	10	6824	47¾	47⅛	47¼	+⅛
13⅞	13	Salomon Br x	0.32	2.4		1271	13½	13⅜	13½	
43⅝	34	Salomoninc	0.64	1.4	11	6888	u44⅞	43½	44⅝	+1⅜
26⅞	23¼	SanDgo G&E	1.48	5.6	14	1869	26¾	26⅜	26½	-⅛
4⅞	3½	SantaFeEEx	0.40	10.7	37	5	3¾	3¾	3¾	
11⅞	8⅛	SantaFeERs	0.16	1.7	962	1806	9⅝	9⅜	9⅝	-⅛
40¾	35¼	SantaFePac	2.80	7.2	19	65	38¾	38¼	38⅝	
18⅞	12¾	SantaFPac	0.10	0.6	11	3220	17⅞	17½	17⅝	+¼
31⅛	21	Sara Lee	0.58	2.7	15	15314	22	21⅛	21⅝	+⅛
49	40⅛	Scana Corp	2.74	5.6	15	235	48⅝	48¼	48⅝	+⅛
24⅞	21½	Scecorp	1.42	5.8	16	4074	24⅝	24½	24⅝	+½
38⅞	23⅞	SchererRP			22	290	27⅞	27⅝	27¾	
70⅞	51¼	ScheringPl	1.80	3.0	15	10519	60⅞	59⅞	59⅞	-⅛
68⅞	55⅞	Sch'berger	1.20	2.0	28	7991	62⅛	61⅛	61⅝	-⅞
39¾	16½	SchwabCh	0.20	0.6	18	4741	d31⅛	29½	31⅝	+2
7¾	5⅝	Schwitzer			41	12	7	7	7	-⅛
35	17¾	ScientAtn	0.12	0.4	53	1791	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

- X - Y - Z -

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
59½	51½	Zero4.125	4.12	7.6		2	54	54	54	
59½	31¼	Xtra Corp	0.48	1.0	19	1052	46¾	45⅝	46½	+⅞
28	19½	Yankee Egy	1.16	4.4	18	94	26⅜	26⅛	26¼	-⅛
1⅛	⅝	Zapata			58	745	1⅛	1	1⅛	
10½	5⅞	ZenithElec			2	1598	7⅝	7⅜	7½	+⅛
29¾	19⅝	Zenith Nat	1.00	3.6	18	27	27⅞	27¾	27⅞	+⅛
8	6½	Zenex Inc	0.82	10.4		90	7⅞	7¾	7⅞	
15⅛	12¾	Zero Corp	0.40	2.8	19	46	14½	14½	14½	
40¾	30⅛	Zurn Ind	0.88	2.7	14	271	33	32¾	33	+¼
13⅝	12⅝	Zweig Fund	1.12	8.7		172	13	12⅞	12⅞	-⅛
10⅝	9⅞	Zweig Tot x	0.96	9.1		607	u10⅝	10½	10½	

Price data supplied by Telekurs

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close August 9

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4 pm close August 9

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
[illegible]							

FINANCIAL TIMES

AMERICA

Dow at record high after budget victory

Wall Street

US SHARE prices surged to record highs yesterday morning after bond yields dropped sharply in reaction to President Clinton's budget victory, writes Patrick Harverson in New York.

At 1 pm, the Dow Jones Industrial Average was up 22.07 at 3,582.50, beyond its previous record close of 3,567.42. The more broadly based Standard & Poor's 500 was 2.65 higher at 451.35, while the Amex composite was up 2.82 at 439.16, and the Nasdaq composite up 1.54 at 719.62. Trading volume on the NYSE was 140m shares by 1 pm.

Prices opened firmer, but did not post strong gains until mid-morning when the bond market's latest rally took hold. Bond prices rose sharply, and sent the yield on the benchmark 30-year issue down below 6.5 per cent for the first time ever, as fixed-income investors applauded the Senate's approval last Friday of President Clinton's deficit-reduction package.

The bond rally surprised dealers and investors, who did not expect much reaction to the Senate vote because approval of the budget had already been priced into Treasuries. The big drop in yields, however, was welcomed by the stock markets, and with computerised program buying adding to the upward momentum, prices raced to new highs just before midday.

Among individual stocks, interest rate-sensitive issues in the financials sector fared well, with brokerage companies leading the way. Salomon climbed $1⅞ to $44⅝, Merrill Lynch added $⅜ at $89¼, Primerica rose $1⅞ to $56⅝, Morgan Stanley firmed $⅜ to $73⅝ and Bear Stearns put on $½ at $24⅛.

Banks were also in demand, with JP Morgan up $⅝ at $72¼, Chase Manhattan up $½ at $34⅛, Banc One up $⅝ at $54¼, Chemical $⅛ firmer at $42⅛, BankAmerica up $⅝ at $45⅝ and NationsBank up $⅝ at $52⅞.

Selected drug stocks weakened following downgrades from the investment bank, Lehman Brothers. Schering-Plough fell $⅞ to $60⅛, Johnson & Johnson dropped $⅝ to $36⅞ and Bristol-Myers Squibb gave up $⅝ at $51⅝.

Eastman Kodak continued to rally in the wake of last week's ousting of its chairman, Mr Kay Whitmore, rising another $1½ to $60⅛.

On the Nasdaq market, Sun Microsystems fell $⅞ to $28⅛ in volume of 1.3m shares after the National Security Agency suspended a $200m workstation contract with the company after competitors said that the machine's performance was misrepresented.

Amgen fell $2⅛ to $32⅛ after Lehman Brothers lowered its investment rating on the stock from "outperform" to "buy".

Canada

TORONTO moved higher at midday, led by recovering gold stocks, and the composite index rose 39.9 to 3,999.8 in turnover of C$253m. Advances led declines by 323 to 219 with 281 stocks unchanged.

The gold sector was 336.17 or 3.78 per cent higher at 9,234.93 in heavy volume by midday.

TVX Gold was was C$⅜ higher at C$6⅝, in volume of 951,000 shares while Lac Minerals added C$½ at C$11⅝ on 934,000 shares traded.

Voices raised against Frankfurt revival

By William Cochrane

Global equity markets were peppered with big gains last week. In Europe, Germany outstripped France after being left sadly behind seven days before.

In the previous week, the *lack of a discount rate cut left* Frankfurt down while Paris climbed on the prospect of an *effective franc devaluation.* However, an unexpected cut in the Buba repo rate followed *last Tuesday, and Germany* extended its 1993 gains to an above-average 20.7 per cent.

Voices continue to be raised against this trend. Nikko Securities, a longstanding bear of *the Frankfurt market, said* that it expected the German economy to be very weak for the next two years: "...on that basis," it maintained, that "the equity market is fundamentally overvalued at over 24 times earnings."

Lehman Brothers said that evidence since the mid-1950s would suggest that French equities are more responsive to easier money than those in Germany. "In the past 30 years," it said, "there have been four general periods when German equities have been overvalued relative to French equities, and we are in the fourth phase at present."

On the Pacific Rim, New Zealand had another good week, particularly last Thursday *after a cut in taxes on foreign* portfolio investors. Hong Kong did even better after better *than expected results from* HSBC's Midland Bank.

Last week's global equity *charts illustrate just how* heavily the biggest markets, in the US and in Japan, weigh *upon the world. There were* some big gains in continental Europe, and bigger yet in a *number of Asian countries,* taking the FT-Actuaries Europe ex UK, and Pacific ex *Japan indices to rises of 2.5,* and 3.2 per cent respectively in local currency terms; but the World Index managed a gain of only 0.5 per cent.

Unfortunately, Wall Street *was subdued again, first in* advance of the House of Representatives vote on President Bill Clinton's deficit reduction package on Thursday night, and then on Friday's late vote to ensure that Mr Clinton's budget bill would pass through Congress. US equities rose by only 0.1 per cent on the week, maintaining a fairly flat trajectory; Japan, on the other hand, registered a 0.3 per cent decline after an ebullient month, and *quarter, as investors waited for* political haggling to end in Tokyo.

The US, *to a degree, was* affected by the drop in the gold price after first, bullion hit *$400 and, secondly, the ERM* crisis appeared to be resolved. Australia and Canada were *also pulled back, but the obvi*ous loser was South Africa which showed falls on the *week of 4.2 per cent in local* currency terms, and 7.7 per cent in terms of the dollar.

Specialist brokers in London said that big selling of gold from China, through Hong *Kong put the first bite on the* market, which weakened further on a massive reduction in long gold positions on the Comex market; they added that there was related pressure on the financial rand.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	+3.26	+9.98	+26.25	+23.94	+18.35	+17.10
Belgium	+0.87	+2.88	+19.21	+21.16	+12.79	+11.59
Denmark	+2.50	+4.74	+9.96	+26.13	+17.29	+16.05
Finland	+3.59	+8.39	+109.34	+69.53	+55.11	+53.48
France	+3.28	+8.25	+20.94	+18.15	+11.21	+10.03
Germany	+3.72	+3.86	+14.72	+20.73	+16.41	+15.19
Ireland	+3.16	+6.32	+35.80	+41.63	+22.59	+21.29
Italy	+3.55	+8.79	+57.68	+44.29	+33.82	+32.40
Netherlands	-0.23	+1.76	+21.14	+19.21	+14.76	+13.55
Norway	+1.53	+5.24	+29.83	+26.94	+20.62	+19.34
Spain	+0.78	+5.42	+28.05	+27.16	+5.28	+4.17
Sweden	+3.57	+10.66	+44.57	+25.75	+12.97	+11.77
Switzerland	+1.38	+0.95	+31.69	+18.53	+17.00	+15.75
UK	+1.73	+4.70	+28.62	+6.44	+6.44	+5.31
EUROPE	+2.19	+4.97	+26.63	+15.77	+11.82	+10.64
Australia	+0.29	+3.00	+11.14	+14.64	+14.61	+13.40
Hong Kong	+5.31	+3.64	+21.42	+33.37	+34.58	+33.16
Japan	-0.32	+3.02	+37.18	+25.53	+51.58	+49.98
Malaysia	+2.77	+6.26	+53.53	+35.14	+40.06	+38.59
New Zealand	+4.39	+9.73	+24.34	+26.02	+36.33	+34.88
Singapore	+4.49	+4.52	+30.84	+20.75	+24.04	+22.73
Canada	-0.31	-0.28	+7.19	+10.11	+9.56	+8.41
USA	+0.12	+0.02	+7.07	+3.03	+4.13	+3.03
Mexico	+2.14	+7.57	+19.43	-0.58	+0.72	-0.34
South Africa	-4.21	-2.45	+19.52	+28.79	+35.61	+34.17
WORLD INDEX	+0.54	+2.28	+20.07	+13.32	+19.28	+18.03

† Based on August 6th 1993. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and NatWest Securities Limited.

EUROPE

Movement in sectors as bourses consolidate

SECTOR selection, consolidation and profit-taking after last week's gains were among yesterday's themes, *writes Our Markets Staff.*

FRANKFURT saw some action in banks ahead of today's half-year results from Dresdner, but the DAX index *closed only 3.92 higher at* 1,872.30. Turnover fell from DM9.5bn to DM7.5bn from Fri*day's DM9.5bn. Dresdner rose* DM5 to DM419.50 on expectations of a 10 to 12 per cent rise in first-half operating profits after risk provisions, and Deutsche Bank closed DM8.90 higher at DM781.90.

There was a sceptical response to Friday's Volkswagen prediction of a profit in 1993; the shares fell DM2.80 to DM371.20. Mr Eckhard Frahm of Merck Finck in Düsseldorf noted that VW was the worst *performing DAX constituent in* July, with a fall of 4 per cent, but still the best performer for the first seven months of 1993 with a 43.7 per cent gain.

DUBLIN put on an afternoon spurt as investors bought into Allied Irish Banks, Bank of Ireland and Irish Life ahead of AIB's half year results today.

The ISEQ overall index rose 27.40, or 1.6 per cent to 1,719.04. Financials were 1.8 per cent ahead with AIB 7p higher at *292p and BoI up 6p at 261p.*

AMSTERDAM continued to attract solid foreign demand and the CBS Tendency general index rose 0.50 to 123.90.

Among cyclicals, Hoogovens rose Fl 2.00 to Fl 48.20 after touching a 1993 intraday high of Fl 49.30. The shares have doubled since January on hopes for a profit recovery from 1995, and added 27 per cent in the last month alone, aided by covering of short positions of more than 1.3m shares.

BRUSSELS edged ahead with the Bel-20 index 0.45 higher at 1,343.14 in low turnover of BFr1.02bn.

Steel stocks, increasingly viewed as a good recovery play, were again in demand. Cockerill Sambre reached BFr139 before profit-taking left it just BFr1 higher at BFr134 in heavy volume of 622,000 shares. Arbed, the Luxembourg steel group, rose BFr140 or 3.4 per cent to BFr4,275.

*MILAN put in a strong per*formance in heavy volume, with the market again led by the strength of the telecommunications sector. The Comit index rose 8.83 to 590.31.

Sip gained L66 to L3,415.5 in volume of 24.3m shares while Stet slipped L23 to L4,131 in 8.31m shares. Italcable rose L731 or 8.7 per cent to L9,146 following the government plans to merge it with Sip.

Olivetti rose on renewed speculative hopes it could gain from the end of Sip's monopoly in mobile phones. The stock ended L84 lire up at L1,960.

PARIS consolidated in gentle profit-taking after Friday's record close, the CAC-40 index falling 11.31 to 2,138.52 in turnover down from FFr5.2bn to FFr3.15bn.

Cyclicals inched up, Michelin rising FFr3.30 to FFr191.40 and Peugeot by FFr7 to FFr687. The building materials supplier, Lafarge-Coppee, also bucked the market trend with a gain of FFr11.50 to FFr456, and FFr2 to FFr.

Alcatel fell FFr8 to FFr690 after a 3.7 per cent fall in first half sales at Alcatel Cable.

ZURICH ran into profit-taking in banks, insurers and recently strong cyclical shares and the SMI index shed 3.0 to 2,420.5.

The major banks, which have risen strongly in recent weeks, encountered selling from investors wanting to take profits ahead of half-year results which start with UBS on Thursday. UBS bearers fell SFr14 to SFr1,210.

Nestlé, the most active *share, rose SFr13 to SFr1,031,* reversing its decline of last week. Swissair picked up SFr13 to finish at SFr 728 on bargain hunting after Friday's larger than expected first half loss.

OSLO climbed to a 1993 high with the all share index up 3.37 at 549.87 in hefty turnover of NKr618m, with the interest rate outlook continuing to fuel the market.

HELSINKI was sharply higher on low money market *rates and the HEX index added* 37.4 or 2.8 per cent to 1,389.7.

VIENNA broke up through *1,000 on the ATX index to set a* new 14-month closing high of 1,005.3, up 15.83 or 1.6 per cent. But with ATX futures leading the market up, some dealers said that the tail was wagging the dog.

TEL AVIV rose in moderate volume, the blue chip index ending 2.07 higher at 198.52 in turnover of Shk188m.

ATHENS climbed on hopes that a bill for the partial privatisation of OTE, the Greek telecommunications company, would be passed in parliament this week. The general index closed 25.30, or 2.8 per cent higher at 916.25.

FT-SE Actuaries Share Indices

August 9							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1269.70	1270.75	1272.13	1272.33	1271.66	1270.93	1269.85	1269.95
FT-SE Eurotrack 200	1350.89	1352.04	1352.63	1354.20	1352.72	1352.43	1353.39	1352.97

	Aug 6	Aug 5	Aug 4	Aug 3	Aug 2
FT-SE Eurotrack 100	1272.34	1268.56	1268.09	1261.49	1252.49
FT-SE Eurotrack 200	1348.44	1340.80	1339.61	1341.55	1347.49

Base value 1000 (26/10/90) Highday: 100 - 1272.87; 200 - 1354.49 Lowday: 100 - 1268.32 200 - 1350.28.

SOUTH AFRICA

BULLION price recovery hopes and the weak financial rand took gold shares higher, the sector index rising 52 to 1,866, and industrials were lifted in aggregate by the news that the conglomerate, Barlow Rand, would announce its unbundling strategy after hours. Industrials rose 20 to 4,580 and the overall index by 31 to 4,041.

ASIA PACIFIC

Nikkei advances as new cabinet takes up office

Tokyo

SHARE prices firmed as the new cabinet of Mr Morihiro Hosokawa was appointed, *writes Emiko Terazono in Tokyo.*

The Nikkei average rose 135.11 to 20,493.05 as a rise in the futures market prompted arbitrage related buying. It opened at the day's low of 20,339.83 and rose to a high of 20,553.06 during the morning session.

Volume remained flat at 190m shares against 191m. Investment trusts supported prices, while foreign investors were also seen small-lot buying.

Advances led declines by 552 to 378, with 214 issues remaining unchanged. The Topix index of all first section stocks rose 4.42 to 1,659.01. In London, *the ISE/Nikkei 50 index fell* 0.07 to 1,262.89.

Hopes grew of a discount rate cut to bolster the economy. Market participants interpreted comments by Mr Hirohisa Fujii, the new finance minister, denying the possibility of a government bond issue to cover a revenue shortage, as an indication that the new government will try to stimulate the economy through monetary measures.

High-technology issues were higher on hopes that the new government will allocate public spending to telecommunication infrastructure projects and computers for education.

Sharp, the most active issue of the day, rose Y10 to Y1,400 and Matsushita Electric Industrial gained Y30 to Y1,380. Nippon Telegraph and Telephone advanced Y11,000 to Y927,000.

Reports that Fuji Oil, a palm oil manufacturer, had discovered a substitute for natural oil, encouraged investors, pushing the issue up Y46 to Y1,040. Takasago International, an aromatic chemical maker which supplies flagrances for Japan Tobacco, the state owned tobacco company, rose on JT's listing early next year. However, it later fell on profit-taking, closing down Y15 to Y880.

Higher property sales and hopes of lower interest rates supported real estate companies, Mitsui Fudosan rising Y[illegible] to Y1,310 and Mitsubishi Estate gained Y10 to Y1,080.

Japan

Nikkei Average ('000)

Source: FT Graphite

Nippon Kayaku, a chemical maker, rose Y17 to Y910. The company expects to raise its production of epoxy resin due to the explosion at Sumitomo Chemical's plant last month.

In Osaka, the OSE average rose 56.96 to 22,352.06 in volume of 8.6m shares.

Roundup

Profit-taking was a feature in a number of Pacific Rim markets. Singapore and Bombay *were closed for public holidays.*

NEW ZEALAND closed at its highest level since July 1990, powered by an 8 cent gain in Telecom to NZ$4.10.

The NZSE-40 capital index rose 7.64 to 1,903.64, in turnover of NZ$40.1m, high for a Monday but about half last week's daily average.

AUSTRALIA edged higher as gold bullion prices picked up and the All Ordinaries index rose 2.1 to 1,844.3 in turnover of A$345.9m.

News Corp was a star performer, rising 23 cents to a record Australian $8.88 in the wake of strong demand in New York on Friday. Foodland rose 20 cents to A$8.80 after a day's high of A$9 on news of a possible merger.

Heavy fallers included the building and sugar products *group, CSR, which tumbled 31* cents to A$4.19 after sinking to A$4.01. A US court awarded US$2m against the company last week for distributing products containing asbestos.

TAIWAN closed higher, but profit-taking as the weighted index edged above 4,100 pulled prices off their peak. The index ended 66.09 ahead at 4,092.73, *after a peak of 4,109.10, as turn*over climbed to T$20.3bn.

Buying was fuelled by news *the Bank of Tawan cut its* prime lending rate to 7.875 per cent.

HONG KONG was unable to sustain strong early gains which took the Hang Seng index 101 points higher and profit-taking left the index 14.55 lower at 7,382.22 as turnover shrank to HK$4.41bn.

MANILA was sharply lower at the start of an anticipated consolidation and the composite index dropped 28.18 to 1,715.79.

PLDT dropped 10 pesos to 1,085 pesos but the newly-listed *J.G. Summit Holdings closed at* 6 pesos after an opening high of 6.50 pesos which compared *with its offer price of 4.40* pesos.

SEOUL was lower for the third consecutive session in lethargic trade which saw the composite shed 7.29 at 709.59.

BANGKOK gave way to what was seen as overdue profit-taking after the rally of the previous eight sessions and the SET index dipped 6.07 to 952.77 in heavy turnover of Bt9.89bn.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY AUGUST 6 1993								THURSDAY AUGUST 5 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	141.88	-1.9	140.42	93.72	125.22	138.72	-0.9	3.62	144.63	143.82	95.31	129.07	139.97	144.63	117.39	138.31
Austria (17)	164.13	+0.5	162.44	108.42	144.85	145.49	+0.0	1.33	163.24	162.32	107.57	145.67	145.55	164.13	131.16	145.56
Belgium (42)	148.67	+1.7	147.14	98.20	131.21	132.36	+1.3	4.32	146.14	145.31	96.30	130.41	130.64	156.76	131.19	147.69
Canada (108)	125.36	+0.3	124.07	82.80	110.62	117.23	+0.4	2.87	125.03	124.32	82.39	111.57	116.79	130.38	111.41	128.09
Denmark (33)	215.99	+0.3	213.77	142.68	190.62	200.35	+0.9	1.13	215.26	214.05	141.86	192.10	198.50	225.64	185.11	238.20
Finland (23)	106.84	+1.1	105.74	70.57	94.29	129.54	+0.8	0.94	105.65	105.05	69.62	94.28	128.49	106.84	65.50	71.14
France (97)	161.94	+1.9	160.27	106.96	142.90	150.70	+1.5	3.06	158.87	157.97	104.68	141.76	148.40	167.36	142.72	159.22
Germany (60)	119.84	+1.6	118.60	79.17	105.76	105.76	+0.5	2.01	117.92	117.25	77.72	105.23	105.23	119.84	101.59	120.44
Hong Kong (55)	295.03	+1.4	291.99	194.88	260.38	293.70	+1.4	3.23	290.82	289.18	191.64	259.54	289.51	301.61	218.82	243.48
Ireland (15)	164.69	-0.7	163.00	108.79	145.35	166.95	+0.2	3.30	165.81	164.87	109.26	147.96	166.64	170.40	129.28	156.35
Italy (70)	72.65	+1.2	71.90	47.99	64.11	87.12	+1.0	1.86	71.82	71.41	47.32	64.09	86.25	72.82	53.78	66.71
Japan (470)	157.52	-0.7	155.90	104.05	139.03	104.05	-0.5	0.80	158.71	157.81	104.58	141.65	104.58	158.82	100.75	92.26
Malaysia (69)	362.35	-0.6	358.62	239.34	319.77	355.93	-0.5	1.92	364.55	362.49	240.22	325.31	357.88	364.55	251.66	240.63
Mexico (19)	1642.27	+0.0	1625.39	1084.82	1449.35	5588.72	+0.1	0.88	1641.59	1632.33	1081.78	1464.96	5582.81	1725.81	1410.30	1394.51
Netherland (24)	171.92	+1.2	170.15	113.56	151.72	149.83	+0.1	3.60	169.90	168.94	111.96	151.63	149.66	172.75	150.39	162.76
New Zealand (13)	57.85	+0.1	57.26	38.22	51.06	55.84	+0.6	3.99	57.81	57.48	38.10	51.59	56.54	57.85	40.56	45.46
Norway (22)	164.35	+2.1	162.66	108.56	145.05	164.13	+1.4	1.61	161.00	160.09	106.10	143.68	161.82	166.21	137.71	159.38
Singapore (38)	261.86	-0.1	259.17	172.98	231.10	194.77	-0.1	1.77	262.11	260.63	172.73	233.90	194.89	263.94	207.04	200.79
South Africa (60)	198.70	-2.9	196.66	131.25	175.36	202.39	-1.5	2.53	204.61	203.46	134.83	182.59	205.50	215.29	144.72	211.57
Spain (43)	121.47	+0.4	120.22	80.24	107.20	128.69	+0.4	4.54	121.04	120.35	79.76	108.01	128.14	132.82	115.23	140.52
Sweden (36)	185.04	+1.5	183.14	122.24	163.31	217.98	+0.6	1.55	182.29	181.26	120.13	162.68	216.76	185.04	149.70	189.09
Switzerland (50)	130.81	+0.7	129.47	86.41	115.46	121.69	+0.0	1.78	129.92	129.19	85.62	115.96	121.75	130.81	108.91	112.90
United Kingdom (218)	181.51	+1.4	179.65	119.89	160.18	179.65	+1.0	3.89	178.95	177.94	117.91	159.68	177.94	181.99	162.00	179.66
USA (520)	183.50	+0.1	181.61	121.22	161.95	183.50	+0.1	2.78	183.36	182.32	120.83	163.64	183.36	186.27	175.38	170.72
Europe (750)	150.48	+1.4	148.93	99.40	132.81	144.54	+0.8	3.09	148.44	147.60	97.82	132.47	143.38	150.48	133.92	147.19
Nordic (114)	173.27	+1.2	171.48	114.45	152.91	179.72	+0.7	1.38	171.16	170.19	112.79	152.74	178.41	173.27	142.13	174.69
Pacific Basin (714)	161.07	-0.7	159.41	106.40	142.15	110.94	-0.4	1.06	162.17	161.25	106.87	144.72	111.41	162.17	105.89	98.95
Euro-Pacific (1464)	156.61	+0.1	154.99	103.44	138.20	124.76	+0.1	1.86	156.41	155.53	103.06	139.57	124.69	156.64	117.26	118.46
North America (628)	179.88	+0.1	178.03	118.84	158.78	178.99	+0.1	2.79	179.73	178.71	118.45	160.42	178.83	182.38	171.51	168.04
Europe Ex. UK (532)	131.01	+1.3	129.66	86.55	115.64	124.03	+0.7	2.56	129.27	128.54	85.21	115.39	123.16	131.01	112.51	127.18
Pacific Ex. Japan (244)	196.52	-0.1	194.50	129.83	173.45	181.23	+0.2	3.05	196.79	195.68	129.70	175.64	180.84	196.79	152.70	164.90
World Ex. US (1651)	156.89	+0.1	155.28	103.64	138.46	126.75	+0.0	1.89	156.76	155.88	103.31	139.90	126.70	157.11	118.51	120.60
World Ex. UK (1953)	163.14	-0.1	161.46	107.77	143.99	140.86	+0.0	2.05	163.24	162.31	107.58	145.69	140.92	163.44	134.22	132.50
World Ex. So. Af. (2111)	164.65	+0.1	162.96	108.77	145.32	143.89	+0.1	2.22	164.47	163.54	108.39	146.79	143.79	164.69	137.29	136.10
World Ex. Japan (1701)	170.68	+0.5	168.92	112.75	150.65	166.89	+0.3	2.89	169.88	168.92	111.96	151.62	166.35	170.68	157.47	161.14
The World Index (2171)	164.77	+0.1	163.07	108.84	145.42	144.39	+0.1	2.22	164.64	163.71	108.50	146.93	144.32	164.91	137.32	136.57

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